

SECURITIES AND EXCHANGE COMMISSION

FORM 497

Definitive materials filed under paragraph (a), (b), (c), (d), (e) or (f) of Securities Act Rule 497

Filing Date: **1994-03-01**
SEC Accession No. **0000950130-94-000326**

([HTML Version](#) on secdatabase.com)

FILER

EMERGING TIGERS FUND INC

CIK: **916368**

Type: **497** | Act: **33** | File No.: **033-51701** | Film No.: **94513874**

Business Address

P O BOX 9011

PRINCETON NJ 08543-9011

PROSPECTUS

20,500,000 SHARES
 EMERGING TIGERS FUND, INC.
 COMMON STOCK

Emerging Tigers Fund, Inc. is a non-diversified, closed-end management investment company seeking long-term capital appreciation by investing primarily in equity securities of companies in designated emerging market countries located in Asia and the Pacific Basin ("Asia-Pacific countries"). For purposes of its investment objective, the Fund may invest in the securities of companies in all countries in Asia and the Pacific Basin other than Japan, Taiwan, Australia, New Zealand and Hong Kong. Under current market conditions, the Fund intends to emphasize investments in companies in Malaysia, India, Thailand, Singapore, China, the Philippines, Indonesia, Pakistan and Sri Lanka. The investment objective of the Fund reflects the belief that the securities markets of the emerging market Asia-Pacific countries present attractive investment opportunities as a result of the economic development in such region. Under normal market conditions at least 65% of the Fund's total assets will be invested in equity securities of companies in emerging market Asia-Pacific countries. The Fund may also invest up to 35% of its total assets in debt securities of companies or governments in emerging market Asia-Pacific countries. There can be no assurance that the Fund's investment objective will be achieved.

INVESTMENTS IN SECURITIES OF COMPANIES IN EMERGING MARKET ASIA-PACIFIC COUNTRIES INVOLVE SPECIAL CONSIDERATIONS AND RISKS WHICH ARE NOT TYPICALLY PRESENT IN INVESTMENTS IN THE SECURITIES OF U.S. COMPANIES. THE FUND MAY INVEST UP TO 35% OF ITS ASSETS IN DEBT SECURITIES THAT ARE IN THE LOWER RATING CATEGORIES OR UNRATED AND MAY BE IN DEFAULT AS TO PAYMENT OF PRINCIPAL AND/OR INTEREST AT THE TIME OF ACQUISITION BY THE FUND. SUCH SECURITIES GENERALLY INVOLVE GREATER VOLATILITY OF PRICE AND RISKS TO PRINCIPAL AND INCOME THAN SECURITIES IN THE HIGHER RATING CATEGORIES. THE FUND MAY INVEST WITHOUT LIMITATION IN SECURITIES THAT ARE NOT READILY MARKETABLE. SHARES OF CLOSED-END INVESTMENT COMPANIES FREQUENTLY TRADE AT A DISCOUNT FROM THEIR NET ASSET VALUE. THIS RISK MAY BE GREATER FOR INVESTORS EXPECTING TO SELL THEIR SHARES IN A RELATIVELY SHORT PERIOD AFTER COMPLETION OF THE PUBLIC OFFERING. SEE "RISK FACTORS AND SPECIAL CONSIDERATIONS."

Prior to this offering, there has been no public market for the Fund's shares. The Fund's shares have been approved for listing on the New York Stock Exchange under the symbol "TGF", subject to official notice of issuance. However, during an initial period which is not expected to exceed four weeks from the date of this Prospectus, the Fund's shares will not be listed on any securities exchange. During such period, Merrill Lynch, Pierce, Fenner & Smith Incorporated does not intend to make a market in the Fund's shares. Consequently, it is anticipated that an investment in the Fund will be illiquid during such period. The investment adviser of the Fund is Fund Asset Management, an affiliate of Merrill Lynch Asset Management. This Prospectus sets forth concisely information about the Fund that a prospective investor ought to know before investing and should be read and retained for future reference.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

<TABLE>
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	MAXIMUM PRICE TO PUBLIC	MAXIMUM SALES LOAD	MAXIMUM LOAD (1) (2)	PROCEEDS TO THE FUND (3)
<S> Per Share.....	\$15.00	<C>	\$.825	<C> \$14.175
Total (4).....	\$307,500,000		\$16,912,500	\$290,587,500

(footnotes on next page)

The shares are offered by Merrill Lynch, subject to prior sale, when, as and if issued by the Fund and accepted by Merrill Lynch, subject to approval of

certain legal matters by counsel for Merrill Lynch and certain other conditions. Merrill Lynch reserves the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that delivery of the shares will be made in New York, New York on or about March 4, 1994.

MERRILL LYNCH & CO.

The date of this Prospectus is February 25, 1994.

(Continued from cover page)

- (1) The "Maximum Price to Public" and "Maximum Sales Load" per share will be reduced to \$14.85 and \$.675, respectively, for purchases in single transactions of between 6,668 and 16,835 shares and to \$14.70 and \$.525, respectively, for purchases in single transactions of 16,836 or more shares. See "Underwriting."
- (2) The Fund and the Investment Adviser have agreed to indemnify Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") against certain liabilities, including liabilities under the Securities Act of 1933. See "Underwriting."
- (3) Before deducting organizational and offering costs payable by the Fund estimated at \$475,000.
- (4) The Fund has granted Merrill Lynch an option, exercisable for 45 days after the date hereof, to purchase up to an additional 3,075,000 shares to cover over-allotments. If all such shares are purchased, the total Maximum Price to Public, Maximum Sales Load and Proceeds to the Fund will be \$353,625,000, \$19,449,375 and \$334,175,625, respectively. See "Underwriting."

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE FUND'S COMMON STOCK AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NEW YORK STOCK EXCHANGE. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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PROSPECTUS SUMMARY

The following summary should be read in conjunction with the more detailed information appearing elsewhere in this Prospectus.

The Fund..... Emerging Tigers Fund, Inc. (the "Fund") is a newly organized, non-diversified, closed-end management investment company investing primarily in equity securities of companies in designated emerging market Asia-Pacific countries. See "The Fund."

Conversion to Open-End Status..... The Fund's Articles of Incorporation require the Board of Directors to submit a proposal to convert the Fund to an open-end investment company to shareholders during the first quarter of 1996. However, if in the Board's discretion, conversion at that time would not be in the best interest of the shareholders of the Fund, the Board retains the right to withhold the proposal until such time as the Board deems conversion to be in the best interest of the shareholders. Conversion to an open-end investment company would make the Common Stock redeemable in cash upon demand by shareholders at the next determined net asset value. So as not to force the Fund to liquidate portfolio securities at a disadvantageous time, in order to meet requests for redemption, the Fund is authorized to borrow up to 20% of its total asset value for the purpose of redeeming its shares. If shareholder approval of conversion to an open-end investment company is not obtained, the Fund will continue as a closed-end investment company. See "The 1996 Vote to Convert to Open-End Status."

The Offering..... The Fund is offering 20,500,000 shares of Common Stock at a maximum initial offering price of \$15.00 per share, except that the price will be reduced to \$14.85 for purchases in single transactions of between 6,668 and 16,835 shares and to \$14.70 for purchases in single transactions of 16,836 or more shares. The shares are being offered by Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"). Merrill Lynch has been granted an option, exercisable for 45 days from the date of this Prospectus, to purchase up to 3,075,000 additional shares of Common Stock to cover over-allotments. See "Underwriting."

Investment Objective and Policies..... The investment objective of the Fund is to seek long-term capital appreciation by investing primarily in equity securities of companies in designated emerging market countries located in Asia and the Pacific Basin ("Asia-Pacific countries"). For purposes of its

investment objective, the Fund may invest in the securities of companies in all countries in Asia and the Pacific Basin other than Japan, Taiwan, Australia, New Zealand and Hong Kong. Under current market conditions, the Fund intends to emphasize investments in companies in Malaysia, India, Thailand, Singapore, China, the Philippines, Indonesia, Pakistan and Sri Lanka. The objective of the Fund reflects the belief that the securities markets of the emerging market Asia-Pacific countries present attractive investment opportunities as a result of the economic development in such region.

The economies of a number of the emerging market Asia-Pacific countries have been among the most rapidly growing economies in the world in recent years. The economies of certain Asia-Pacific countries such as Malaysia, India, Thailand, Singapore, China, the Philippines, Indonesia, Pakistan and Sri Lanka began to make significant economic progress during such time. This regional growth has often resulted from government policies directed towards market-oriented economic reform and, in particular, seeking to encourage the development of labor-intensive, export-oriented industries. There also has been growth resulting from an increase in domestic demand. In addition, certain Asia-Pacific countries have been introducing deregulatory reforms to encourage development of their securities markets and, in varying degrees, permit foreign investment. A number of these securities markets have been undergoing rapid growth. While investments in the emerging market Asia-Pacific countries are subject to considerable risks (see "Risk Factors and Special Considerations"), the Fund believes that the developments in the region referred to above present attractive investment opportunities.

The Fund may also seek capital appreciation through investment of up to 35% of its total assets in debt securities of companies or governments in emerging market Asia-Pacific countries. Such debt securities may be lower rated or unrated obligations of corporate or sovereign issuers. In addition, the Fund may invest in debt securities that are in default as to payments of principal and/or interest at the time of acquisition by the Fund ("Distressed Securities"). The Fund will invest in Distressed Securities only when the Investment Adviser believes it is reasonably likely that the issuer of the securities will make an exchange offer or will be the subject of a plan of reorganization. Capital appreciation in debt securities may arise as a

result of a favorable change in relative foreign exchange rates, in

relative interest rate levels, or in the creditworthiness of issuers. The receipt of income from such debt securities is incidental to the Fund's objective of long-term capital appreciation.

Investment in shares of Common Stock of the Fund offers several benefits. Many investors, particularly individuals, lack the information or capability to invest in emerging market Asia-Pacific countries. The Fund offers investors the possibility of obtaining capital appreciation through a professionally managed, diversified portfolio comprised of securities of emerging market Asia-Pacific issuers.

The Fund is authorized to employ a variety of investment techniques to hedge against market and currency risk, although at the present time suitable hedging instruments may not be available with respect to securities of companies or governments in emerging market Asia-Pacific countries on a timely basis and on acceptable terms. Furthermore, even if hedging techniques are available, the Fund will only engage in hedging activities from time to time and may not necessarily be engaging in hedging activities when market or currency movements occur.

Listing..... Prior to this offering, there has been no public market for the shares of the Fund. The Fund's shares have been approved for listing on the New York Stock Exchange under the symbol "TGF", subject to official notice of issuance. However, during an initial period which is not expected to exceed four weeks from the date of this Prospectus, the Fund's shares will not be listed on any securities exchange. During such period, Merrill Lynch does not intend to make a market in the Fund's shares. Consequently, it is anticipated that an investment in the Fund will be illiquid during such period. See "Underwriting."

Investment Adviser..... Fund Asset Management, L.P., is the Fund's investment adviser (the "Investment Adviser") and is responsible for the management of the Fund's investment portfolio and for providing administrative services to the Fund. For its services, the Fund pays the Investment Adviser a monthly fee at the annual rate of 1.00% of the Fund's average weekly net assets. The Investment Adviser is an affiliate of Merrill Lynch Asset Management ("MLAM"), which is owned and controlled by Merrill Lynch & Co., Inc. ("ML & Co."). The Investment Adviser, or MLAM, acts as the investment adviser for over 90 other registered management investment companies. The Investment Adviser also offers portfolio management and portfolio

analysis services to individuals and institutions. As of January 31, 1994, the Investment Adviser and MLAM had a total of approximately \$167.1 billion in investment company and other portfolio assets under management, including accounts of certain affiliates of the Investment Adviser. See "Investment Advisory and Management Arrangements."

Dividends and Distributions..... It is the Fund's intention to distribute all of its net investment income. Dividends from such net investment income are paid at least

annually. All net realized long-term and short-term capital gains, if any, will be distributed to the Fund's shareholders at least annually. See "Dividends and Distributions."

Automatic Dividend
Reinvestment Plan.....

All dividends and capital gains distributions automatically will be reinvested in additional shares of the Fund unless a shareholder elects to receive cash. Shareholders whose shares are held in the name of a broker or nominee should contact such broker or nominee to confirm that they may participate in the Fund's dividend reinvestment plan. See "Automatic Dividend Reinvestment Plan."

Mutual Fund Investment
Option.....

Purchasers of shares of the Fund in this offering will have an investment option consisting of the right to reinvest the net proceeds from a sale of such shares (the "Original Shares") in Class A initial sales charge shares of certain Merrill Lynch-sponsored open-end mutual funds ("Eligible Class A Shares") at their net asset value, without the imposition of the initial sales charge, if the conditions set forth below are satisfied. First, the sale of the Original Shares must be made through Merrill Lynch, and the net proceeds therefrom must be reinvested immediately in Eligible Class A Shares. Second, the Original Shares must have either been acquired in this offering or be shares representing reinvested dividends from shares acquired in this offering. Third, the Original Shares must have been maintained continuously in a Merrill Lynch securities account. Fourth, there must be a minimum purchase of \$250 to be eligible for the investment option. Class A shares of certain of the mutual funds may be subject to an account maintenance fee at an annual rate of up to 0.25% of the average daily net asset value of such mutual fund. See "Mutual Fund Investment Option."

Custodian.....

Brown Brothers Harriman & Co. will act as custodian for the Fund's assets and will employ foreign sub-custodians approved by the Fund's Board of Directors in accordance with regulations of the Securities and Exchange Commission. See "Custodian."

Transfer Agent, Dividend
Disbursing Agent and
Registrar.....

State Street Bank and Trust Company will act as transfer agent, dividend disbursing agent and registrar for the Fund. See "Transfer Agent, Dividend Disbursing Agent and Registrar."

Risk Factors and Special
Considerations.....

The Fund is a newly organized, non-diversified, closed-end management investment company and has no operating history. As described under "Listing" above, it is anticipated that an investment in the Fund will be illiquid prior to the listing of the Fund's shares on the New York Stock Exchange. See "Underwriting." Shares of closed-end investment companies frequently trade at a discount from their net asset value. This risk may be greater for investors expecting to sell their shares in a relatively short period after completion of the public offering. Accordingly, the Common Stock of the Fund is designed primarily for long-term investors and should not be considered a vehicle for trading purposes.

International Investing. Investing on an international basis and in countries with smaller capital markets involves certain risks not involved in domestic investments, including a significant risk of fluctuations in foreign exchange rates, future political and economic developments, and the possible imposition of exchange controls or other foreign governmental laws or restrictions. In addition, with respect to certain foreign countries, there is the possibility of expropriation of assets, confiscatory taxation, political or social instability or diplomatic developments which could affect investments in those countries. Individual foreign economies may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross national product, rates of inflation, capital reinvestment, resources, self-sufficiency and balance of payments position. These risks are often heightened for investments in smaller capital markets such as emerging market Asia-Pacific countries. Moreover, most of the securities held by the Fund will not be registered with the Securities and Exchange Commission, nor will the issuers thereof be subject to the reporting requirements of such agency. Accordingly, there may be less publicly available information about a foreign company than about a U.S. company and such foreign companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to those of U.S. companies. As a result, certain investment measurements, such as price/earning ratios, as used in the U.S., may not be applicable to certain smaller capital markets. An investment in the Fund should not be considered a balanced investment program.

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Foreign markets have different clearance and settlement procedures, and in certain markets there have been times when settlements have failed to keep pace with the volume of securities transactions, making it difficult to conduct such transactions. Delays in settlement could result in temporary periods when assets of the Fund are uninvested and no return is earned thereon. The inability of the Fund to make intended security purchases due to settlement problems could cause the Fund to miss attractive investment opportunities. The inability of the Fund to dispose of a portfolio security due to settlement problems could result either in losses to the Fund or possible liability to a purchaser to whom the Fund is unable to make timely delivery of securities.

Investing in Securities Markets of Emerging Market Asia-Pacific Countries. The securities markets of emerging market Asia-Pacific countries are not as large as the U.S. securities markets and have substantially less liquidity with high price volatility. Such markets are in the early stages of development and there is a high concentration of market capitalization and trading volume in a small number of issuers representing a limited number of industries. Many of the emerging market Asia-Pacific countries may be subject to a greater degree of economic, political and social instability than is the case in the United States and Western European countries. Such instability may result from, among other things: (i) authoritarian governments or military involvement in political and economic

decision-making, including changes in government through extra-constitutional means; (ii) popular unrest associated with demands for improved political, economic and social conditions; (iii) internal insurgencies; (iv) hostile relations with neighboring countries; and (v) ethnic, religious and racial disaffection. These factors along with certain U.S. and foreign regulations may have an adverse impact on the investment performance of the Fund. Further, the legal systems in certain emerging market Asia-Pacific countries have caused issues of shareholders rights and liabilities to be less clear than in the U.S. Such uncertainty may have an adverse impact on the Fund.

Restrictions on Foreign Investments. Some emerging market Asia-Pacific countries prohibit or impose substantial restrictions on investments in their capital markets, particularly their equity markets, by foreign entities such as the Fund. Certain countries may restrict investment opportunities in issuers or industries deemed important to national interests. Substantial limitations may exist in certain countries with respect to the Fund's ability to repatriate investment income, capital or proceeds of sales of securities by

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foreign investors. The Fund could be adversely affected by delays in, or a refusal to grant, any required governmental approval for repatriation of capital as well as by the application to the Fund of any restrictions on investments.

No Rating Criteria for Debt Securities; Investment in Distressed Securities. The Fund has established no rating criteria for the debt securities in which it may invest. In addition, the Fund may invest in debt securities that are in default as to payment of interest and/or principal at the time of acquisition by the Fund. Securities rated in medium to low rating categories of nationally recognized statistical rating organizations such as Standard & Poor's Corporation ("S&P") and Moody's Investors Service, Inc. ("Moody's") and unrated securities of comparable quality are speculative with respect to the capacity to pay interest and repay principal in accordance with the terms of the security and generally involve a greater volatility of price than securities in higher rated categories. Investment in Distressed Securities is speculative and involves significant risk. See "Risk Factors and Special Considerations--Certain Risks of Debt Securities--No Rating Criteria for Debt Securities" and "--Distressed Securities."

Sovereign Debt. Investment in sovereign debt involves a high degree of risk. The governmental entity that controls the repayments of sovereign debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. A governmental entity's willingness or ability to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the governmental entity's policy towards the International Monetary Fund and the political

constraints to which a governmental entity may be subject. Consequently, governmental entities may default on their sovereign debt. Holders of sovereign debt, including the Fund, may be requested to participate in the rescheduling of such debt and to extend further loans to governmental entities. There is no bankruptcy proceeding by which sovereign debt on which a governmental entity has defaulted may be collected. See "Risk Factors and Special Considerations--Certain Risks of Debt Securities--Sovereign Debt."

Other Investment Management Techniques. The Fund may use various other investment management techniques that also involve

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special considerations including engaging in hedging transactions, repurchase agreements and purchase and sale contracts, short sales, lending of portfolio securities, and investing in private placements, convertible securities, warrants, distressed securities and others. Certain of these investment techniques are considered highly speculative and involve great risk. See "Other Investment Policies and Practices" and "Risk Factors and Special Considerations."

Illiquid Securities. The Fund may invest in illiquid securities, for which there may be no or only a limited trading market and for which a low trading volume of a particular security may result in abrupt and erratic price movements. The Fund may encounter substantial delays and could incur losses in attempting to resell illiquid securities. If the shareholders of the Fund vote to convert the Fund to an open-end investment company, the Fund will be limited in the portion of its assets that may be invested in illiquid securities. See "Risk Factors and Special Considerations--Conversion to Open-End Status."

Risk Factors of Derivatives. In order to seek to enhance income and to hedge various portfolio positions, the Fund may invest in certain instruments which may be characterized as derivatives. Investments in indexed securities, including inverse securities, subject the Fund to the risks associated with changes in the particular indices, which may include reduced or eliminated interest payments and losses of invested principal. Interest rate transactions involve the risk of an imperfect correlation between the index used in the hedging transactions and that pertaining to the securities which are the subject of such transactions. Similarly, utilization of options and futures transactions involves the risk of imperfect correlation in movements in the price of options and futures and movements in the price of the securities or interest rates which are the subject of the hedge. For a further discussion of the risks associated with these investments, see "Risk Factors and Special Considerations--Hedging Strategies", "--Risk Factors of Derivatives" and "Appendix B--Options and Futures Transactions."

Withholding and Other Taxes. Income and capital gains on securities held by the Fund may be subject to withholding and other taxes imposed by certain emerging market Asia-Pacific countries, which would reduce the return to the Fund on those securities. The imposition of such taxes and the rates imposed are subject to changes.

The Fund intends to elect, when eligible, to "pass through" to the Fund's shareholders, as a deduction or credit, the amount of foreign taxes paid by the Fund. The taxes passed through to shareholders will be included in each shareholder's income. Certain shareholders, including non-U.S. shareholders, will not be entitled to the benefit of a deduction or credit with respect to foreign taxes paid by the Fund. Other foreign taxes, such as transfer taxes, may be imposed on the Fund, but would not give rise to a credit, or be eligible to be passed through to shareholders. See "Taxes."

Foreign Subcustodians and Securities Depositories. Rules adopted under the Investment Company Act permit the Fund to maintain its foreign securities and cash in the custody of certain eligible non-U.S. banks and securities depositories. Certain banks in foreign countries may not be eligible subcustodians for the Fund, in which event the Fund may be precluded from purchasing securities in which it would otherwise invest, and other banks that are eligible foreign subcustodians may be recently organized or otherwise lack extensive operating experience.

Borrowings to Meet Redemptions. In the event it converts to an open-end investment company, the Fund is authorized to borrow up to 20% of its total assets in order to meet redemptions so as not to force the Fund to liquidate securities at a disadvantageous time. Any such borrowings will create expenses for the Fund.

Non-Diversified Classification. The Fund is classified as a "non-diversified" investment company under the Investment Company Act, which means that the Fund is not limited by the Investment Company Act in the proportion of its assets that may be invested in the securities of a single issuer. However, the Fund intends to comply with the diversification requirements imposed by the Internal Revenue Code of 1986, as amended (the "Code"), for qualification as a regulated investment company. As a non-diversified investment company, the Fund may invest a greater proportion of its assets in the securities of a smaller number of issuers and, as a result, will be subject to greater risk of loss with respect to its portfolio securities.

Conversion to Open-End Status. The Fund's Articles of Incorporation require the Board of Directors to submit a proposal to convert the Fund to an open-end investment company during the first quarter of 1996, unless the Board of Directors determines that conversion at that time would not be in the best interest of shareholders. Conversion to open-end status would require possibly

disadvantageous changes to the Fund's investment policies and could have an adverse effect on the management of the Fund's investment portfolio. See "The 1996 Vote to Convert to Open-End Status."

Anti-takeover Provisions. The Fund's Articles of Incorporation include provisions that could have the effect of limiting the ability of

other entities or persons to acquire control of the Fund or to change the composition of its Board of Directors and could have the effect of depriving shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging a third party from seeking to obtain control of the Fund. See "Description of Shares--Certain Provisions of the Articles of Incorporation."

Operating Expenses. The Fund's estimated annual operating expenses are higher than those of many other investment companies investing exclusively in the securities of U.S. issuers. The operating expenses are, however, believed by the Investment Adviser to be comparable to expenses of other closed-end management investment companies that invest primarily in the securities of companies in emerging market Asia-Pacific countries.

FEE TABLE

<TABLE>
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SHAREHOLDER TRANSACTION EXPENSES
<S>

Maximum Sales Load (as a percentage of offering price).....	5.50% (a)
Automatic Dividend Reinvestment Plan Fees.....	None
ANNUAL EXPENSES (as a percentage of net assets)	
Management Fees(b).....	1.00%
Other Expenses.....	0.25%

TOTAL ANNUAL EXPENSES.....	1.25%
	====

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	1 YEAR	3 YEARS	5 YEARS	10 YEARS
EXAMPLE	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
An investor would pay the following expenses on a \$1,000 investment, including the maximum sales load of \$55.00 and assuming (1) total annual expenses of 1.25% and (2) a 5% annual return throughout the periods:	\$67.03	\$92.47	\$119.86	\$197.82

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- (a) Reduced to 4.55% for purchases in single transactions of between 6,668 and 16,835 shares and to 3.57% for purchases in single transactions of 16,836 or more shares. See the cover page of this Prospectus and "Underwriting."
 - (b) See "Investment Advisory and Management Arrangements."

The foregoing Fee Table is intended to assist investors in understanding the costs and expenses that a shareholder in the Fund will bear directly or indirectly. The expenses set forth under "Other Expenses" in the Fee Table above are based on estimated amounts through the end of the Fund's first fiscal year on an annualized basis. The Example set forth above assumes reinvestment of all dividends and distributions and utilizes a 5% annual rate of return as mandated by Securities and Exchange Commission regulations. THE EXAMPLE SHOULD NOT BE CONSIDERED A REPRESENTATION OF FUTURE EXPENSES OR ANNUAL RATES OF RETURN, AND ACTUAL EXPENSES OR ANNUAL RATES OF RETURN MAY BE MORE OR LESS THAN THOSE ASSUMED FOR PURPOSES OF THE EXAMPLE.

THE FUND

Emerging Tigers Fund, Inc. (the "Fund") is a newly organized, non-diversified, closed-end management investment company. The Fund was incorporated under the laws of the State of Maryland on December 23, 1993, and has registered under the Investment Company Act of 1940, as amended (the "Investment Company Act"). See "Description of Shares." The Fund's principal office is located at 800 Scudders Mill Road, Plainsboro, New Jersey 08536, and its telephone number is (609) 282-2000.

The Fund's Articles of Incorporation require the Board of Directors to submit a proposal to convert the Fund to an open-end investment company to shareholders during the first quarter of 1996. However, if in the Board's discretion, conversion at that time would not be in the best interest of shareholders of the Fund, the Board of Directors retains the right to withhold such proposal until such time as the Board deems conversion to be in the best interest of the shareholders. Approval of such a proposal would require the affirmative vote of a majority of the outstanding shares entitled to be voted thereon. Shareholders of an open-end investment company may require the company to redeem their shares at any time (except in certain circumstances as authorized by the Investment Company Act) at the next determined net asset value of such shares, less such redemption charges, if any, as might be in effect at the time of redemption. Accordingly, open-end investment companies are subject to continuous asset in-flows and out-flows that can complicate portfolio management. All redemptions will be made in cash. If shareholders vote to convert the Fund to open-end status it is anticipated that redemption of shares of the Fund will be subject to a redemption charge of up to 2%, and may be subject to an ongoing account maintenance fee at an annual rate of up to 0.25% of the average daily net asset value of the Fund.

In considering whether to submit such proposal to shareholders, the Fund's Board of Directors will consider a number of factors, including the effect on the Fund's investment policies and portfolio management and whether shares of the Fund have historically, and continue to, trade at a discount from their net asset value. For example, in light of the position of the Securities and Exchange Commission (the "Commission") that illiquid securities and certain securities subject to legal or contractual limitations on resale not exceed 15% of the total assets of a registered open-end investment company, any attempt to convert the Fund to an open-end company will have to take into account the percentage of such securities in the Fund's portfolio at the time, and other relevant factors. The Fund cannot predict whether, on this basis, it would be able to effect any such conversion or whether, if relief from the Commission's position were required, it could be obtained. The conversion of the Fund to open-end status will require a change to the Fund's fundamental objective and policies to the extent such fundamental objective and policies are inconsistent with those permissible for an open-end investment company.

If the Fund is converted to an open-end investment company, it could be required to liquidate portfolio securities to meet requests for redemption and the shares would no longer be listed on the New York Stock Exchange. If a large volume of shares is offered for redemption at one time the Fund could be forced to liquidate portfolio securities at a disadvantageous time causing a loss to the Fund. To prevent such a loss, the Fund is authorized to borrow up to 20% of its net asset value for purposes of redeeming shares of the Fund. The Fund is not otherwise authorized to borrow or issue senior securities. The necessity to liquidate portfolio securities could affect the Fund's ability to meet its investment objective or to use investment policies and

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techniques that are more appropriate for a fixed portfolio than a portfolio subject to cash in-flows and out-flows. If the Fund converts to open-end status, it may commence a continuous offering of its shares as is the case with most mutual funds.

In the event shareholder approval of the proposal to convert to an open-end fund is not obtained, the Fund will continue as a closed-end investment company.

USE OF PROCEEDS

The net proceeds of this offering will be approximately \$290,112,500 (or approximately \$333,700,625 assuming Merrill Lynch exercises the over-allotment option in full) after payment of the sales load and organizational and offering costs.

The net proceeds of the offering will be invested in accordance with the Fund's investment objective and policies between approximately three and six months after completion of the offering of the shares of Common Stock, depending on market conditions and the availability of appropriate securities. Pending such investment, it is anticipated that the proceeds will be invested in U.S. Government securities or high grade corporate debt securities. See "Investment Objective and Policies."

INVESTMENT OBJECTIVE AND POLICIES

The investment objective of the Fund is to seek long-term capital

appreciation by investing primarily in equity securities of companies in designated emerging market countries located in Asia and the Pacific Basin ("Asia-Pacific countries"). For purposes of its investment objective, the Fund considers emerging market Asia-Pacific countries to be all countries in Asia and the Pacific Basin other than Japan, Taiwan, Australia, New Zealand and Hong Kong. Under current market conditions, the Fund intends to emphasize investments in companies in Malaysia, India, Thailand, Singapore, China, the Philippines, Indonesia, Pakistan and Sri Lanka. Under normal market conditions at least 65% of the Fund's total assets will be invested in equity securities of companies in emerging market Asia-Pacific countries. This investment objective is a fundamental policy of the Fund and may not be changed without the approval of the holders of a majority of the Fund's outstanding voting securities, as defined in the Investment Company Act. The Fund is authorized to employ a variety of investment techniques to hedge against market and currency risk, although suitable hedging instruments may not be available on a timely basis and on acceptable terms. There can be no assurance that the Fund's investment objective will be achieved.

The Fund may also seek capital appreciation through investment of up to 35% of its total assets in debt securities of companies or governments in emerging market Asia-Pacific countries. Such debt securities may be lower rated or unrated obligations of corporate or sovereign issuers. The Fund's investments in high yield securities will include debt securities, preferred stocks and convertible securities which are rated in the lower rating categories of the established rating services ("Baa" or lower by Moody's Investors Service, Inc. ("Moody's") and "BBB" or lower by Standard & Poor's Corporation ("S&P")), or in unrated U.S. and non-U.S. securities considered by the Investment Adviser to be of comparable quality. Securities rated below "Baa" by Moody's or below "BBB" by S&P, and unrated securities of comparable quality, are commonly known as "junk bonds." In addition, the Fund may invest in debt securities that are in default as to the payment of interest and/or principal at the time of acquisition by the Fund ("Distressed Securities"). The

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Fund will invest in Distressed Securities only when the Investment Adviser believes it is reasonably likely that the issuer of the securities will make an exchange offer or will be the subject of a plan of reorganization. Capital appreciation in debt securities may arise as a result of a favorable change in relative foreign exchange rates, in relative interest rate levels, or in the creditworthiness of issuers. The receipt of income from such debt securities is incidental to the Fund's objective of long-term capital appreciation.

The economies of a number of the emerging market Asia-Pacific countries have been among the most rapidly growing economies in the world in recent years. The economies of countries such as India, Thailand, Malaysia and Indonesia, which, together with Singapore, the Philippines and Brunei, are members of the Association of Southeast Asian Nations ("ASEAN"), began to emerge, making significant economic progress. This regional growth has resulted from government policies directed towards market-oriented economic reform and, in particular, seeking to encourage the development of labor-intensive, export-oriented industries. There also has been growth resulting from an increase in domestic demand. In addition, certain Asia-Pacific countries have been introducing deregulatory reforms to encourage development of their securities markets and, in varying degrees, permit foreign investment. A number of these securities markets have been undergoing rapid growth. While investments in securities of companies in emerging market Asia-Pacific countries are subject to considerable risks (see "Risk Factors and Special Considerations"), the objective of the Fund reflects the belief that the securities markets of emerging market Asia-Pacific countries present attractive investment opportunities.

Investment in shares of Common Stock of the Fund offers several benefits. Many investors, particularly individuals, lack the information or capability to invest in emerging market Asia-Pacific countries. The Fund offers investors the possibility of obtaining capital appreciation through a professionally managed portfolio comprised of securities of emerging market Asia-Pacific issuers. In managing such portfolio, the Investment Adviser will provide the Fund and its shareholders with professional analysis of investment opportunities and the use of professional money management techniques. Unlike many intermediary investment vehicles, such as closed-end investment companies that are limited to investment in a single country, the Fund has the ability to diversify investment risk among the capital markets of a number of countries.

The Fund will normally seek to diversify investments among at least three emerging market Asia-Pacific countries. However, the Fund is not limited as to the percentage of assets it may invest per country. The allocation of the Fund's assets among the various securities markets of the emerging market Asia-Pacific countries will be determined by the Investment Adviser.

In accordance with its investment objective, the Fund will not seek to benefit from anticipated short-term fluctuations in currency exchange rates. The Fund may, from time to time, invest in debt securities with relatively high yields notwithstanding that the Fund may not anticipate that such securities will experience substantial capital appreciation. Such income can be used, however, to offset the operating expenses of the Fund. For a description of the risks involved in investing in high yield debt see "Risk Factors and Special Considerations--Certain Risks of Debt Securities."

The Fund may invest in debt securities ("sovereign debt") issued or guaranteed by emerging market Asia-Pacific governments (including emerging market Asia-Pacific countries, provinces and municipalities) or their agencies and instrumentalities ("governmental entities"), debt securities issued or guaranteed by international organizations designated or supported by multiple foreign governmental entities (which are not obligations of foreign governments) to promote economic reconstruction or development ("supranational entities"), debt securities issued by corporations or financial institutions or debt securities issued by the U.S. Government or an agency or instrumentality thereof.

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Supranational entities include international organizations designated or supported by governmental entities to promote economic reconstruction or development and international banking institutions and related governmental agencies. Examples include the International Bank for Reconstruction and Development (the "World Bank") and the Asian Development Bank. The governmental members or "stockholders" of a supranational entity usually make initial capital contributions to the supranational entity and in many cases are committed to make additional capital contributions if the supranational entity is unable to repay its borrowings.

A company ordinarily will be considered to be in an emerging market Asia-Pacific country when it is organized in, or the primary trading market of its securities is located in, an emerging market Asia-Pacific country. The Fund may consider a company to be in an emerging market Asia-Pacific country, without reference to such company's domicile or to the primary trading market of its securities, when at least 50% of the company's non-current assets, capitalization, gross revenues or profits in any one of the two most recent fiscal years represents (directly or indirectly through subsidiaries) assets or activities located in such countries. The Fund may acquire securities of companies in emerging market Asia-Pacific countries that are denominated in currencies other than an emerging Asia-Pacific currency. The Fund also may consider a debt security that is denominated in an emerging market Asia-Pacific currency to be a security of a company in an emerging market Asia-Pacific country without reference to the principal trading market of the security or to the location of its issuer. The Fund may consider investment companies or other pooled investment vehicles to be located in the country or countries in which they primarily make their portfolio investments.

Equity investments of the Fund include, but are not limited to, stocks, preferred stocks, American Depository Receipts ("ADRs"), Global Depository Receipts ("GDRs"), International Depository Receipts ("IDRs"), debt securities convertible into common stock, warrants, joint venture interests, equity securities of other investment companies and venture capital funds, limited partnership interests and other securities ordinarily considered to be equity securities. The equity securities in which the Fund may invest include direct investments. Such securities are not listed on an exchange and do not have any active trading market. The Fund may invest in unsponsored ADRs. The issuers of unsponsored ADRs are not obligated to disclose material information in the United States, and therefore, there may not be a correlation between such information and the market value of such ADRs. The Fund may also invest in venture capital investments and illiquid privately placed securities.

The Fund reserves the right, as a temporary defensive measure in anticipation of investment in emerging market Asia-Pacific countries, to hold cash or cash equivalents (in U.S. dollars or foreign currencies) and short-term securities including money market securities denominated in U.S. dollars or foreign currencies ("Temporary Investments").

DESCRIPTION OF CERTAIN INVESTMENTS

Warrants. The Fund may invest in warrants, which are securities permitting, but not obligating, their holder to subscribe for other securities. Warrants do not carry with them the right to dividends or voting rights with respect to the securities that they entitle their holders to purchase, and they do not represent any rights in the assets of the issuer. As a result, an investment in warrants may be considered more speculative than certain other types of investments. In addition, the value of a warrant does not necessarily change with the value of the underlying securities and a warrant ceases to have value

if it is not exercised prior to its expiration date.

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Illiquid Securities. The Fund may invest in securities that lack an established secondary trading market or otherwise are considered illiquid. Liquidity of a security relates to the ability to dispose easily of the security and the price to be obtained upon disposition of the security, which may be less than a comparable more liquid security. Illiquid sovereign debt and corporate fixed income securities may trade at a discount from comparable, more liquid investments. In addition, the Fund may invest in privately placed securities which may or may not be freely transferable under the laws of the applicable jurisdiction or due to contractual restrictions on resale. See "Private Placements" below.

Distressed Securities. The Fund may invest in distressed securities, which are securities which are currently in default or in risk of default at the time of acquisition. Such investment involves significant risk. The Fund only will make such investments when the Investment Adviser believes it is reasonably likely that the issuer of the securities will make an exchange offer or will be the subject of a plan of reorganization; however, there can be no assurance that such an exchange offer will be made or that such a plan of reorganization will be adopted. A significant period of time may pass between the time at which the Fund makes its investment in Distressed Securities and the time that any such exchange offer or plan of reorganization is completed. During this period, it is unlikely that the Fund will receive any interest payments on the Distressed Securities. In addition, as a result of the Fund's participation in negotiations with respect to any exchange offer or plan of reorganization with respect to an issuer of Distressed Securities, the Fund may be precluded from disposing of such securities.

Convertible Securities. A convertible security is a bond, debenture, note, preferred stock or other security that may be converted into or exchanged for a prescribed amount of common stock of the same or a different issuer within a particular period of time at a specified price or formula. A convertible security entitles the holder to receive interest generally paid or accrued on debt or the dividend paid on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Convertible securities have several unique investment characteristics such as (1) higher yields than common stocks, but lower yields than comparable nonconvertible securities, (2) a lesser degree of fluctuation in value than the underlying stock since they have fixed income characteristics, and (3) the potential for capital appreciation if the market price of the underlying common stock increases. A convertible security might be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held by the Fund is called for redemption, the Fund may be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party.

Private Placements. The Fund may invest in securities of companies or governments of emerging market Asia-Pacific countries that are sold in private placement transactions between their issuers and their purchasers and that are neither listed on an exchange nor traded in other established markets. In many cases, privately placed securities will be subject to contractual or legal restrictions on transfer. As a result of the absence of a public trading market, privately placed securities may in turn be less liquid or illiquid and more difficult to value than publicly traded securities. To the extent that privately placed securities may be resold in privately negotiated transactions, the prices realized from the sales could, due to illiquidity, be less than those originally paid by the Fund or less than their fair value. In addition, issuers whose securities are not publicly traded may not be subject to the disclosure and other investor protection requirements that may be applicable if their securities were publicly traded. If any privately placed securities held by the Fund are required to be registered under the securities laws of one or more jurisdictions before being resold, the Fund may be required to bear the expenses of registration. Certain of the Fund's investments in private placements may consist of direct investments and may include investments in smaller, less-seasoned companies, which

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may involve greater risks. These companies may have limited product lines, markets or financial resources, or they may be dependent on a limited management group. In addition, in the event the Fund sells such securities, any capital gains realized on such transactions may be subject to higher rates of taxation than taxes payable on the sale of listed securities.

Indexed and Inverse Securities. The Fund may invest in securities whose potential return is based on the change in particular measurements of value or

rate (an "index"). As an illustration, the Fund may invest in a security that pays interest and returns principal based on the change in an index of interest rates or on the value of a precious or industrial metal. Interest and principal payable on a security may also be based on relative changes among particular indices. In addition, the Fund may invest in securities whose potential investment return is inversely based on the change in particular indices. For example, the Fund may invest in securities that pay a higher rate of interest and principal when a particular index decreases and pay a lower rate of interest and principal when the value of the index increases. To the extent that the Fund invests in such types of securities, it will be subject to the risks associated with changes in the particular indices, which may include reduced or eliminated interest payments and losses of invested principal. An example of such types of securities are indexed or inverse securities issued with respect to a stock market index in a particular emerging market Asia-Pacific country.

Certain indexed securities, including certain inverse securities, may have the effect of providing a degree of investment leverage, because they may increase or decrease in value at a rate that is a multiple of the changes in applicable indices. As a result, the market value of such securities will generally be more volatile than the market values of fixed-rate securities. The Fund believes that indexed securities, including inverse securities, represent flexible portfolio management instruments that may allow the Fund to seek potential investment rewards, hedge other portfolio positions, or vary the degree of portfolio leverage relatively efficiently under different market conditions.

Investment in Other Investment Companies and Venture Capital Funds. The Fund may invest in other investment companies and venture capital funds whose investment objectives and policies are consistent with those of the Fund. In accordance with the Investment Company Act, the Fund may invest up to 10% of its total assets in securities of other investment companies. In addition, under the Investment Company Act the Fund may not own more than 3% of the total outstanding voting stock of any investment company and not more than 5% of the value of the Fund's total assets may be invested in the securities of any investment company. If the Fund acquires shares in investment companies or venture capital funds, shareholders would bear both their proportionate share of expenses in the Fund (including management and advisory fees) and, indirectly, the expenses of such investment companies or venture capital funds (including management and advisory fees). Investment in such venture capital funds involves substantial risk of loss to the Fund of its entire investment.

OTHER INVESTMENT POLICIES AND PRACTICES

PORTFOLIO STRATEGIES INVOLVING OPTIONS AND FUTURES

The Fund is authorized to engage in various portfolio strategies to hedge its portfolio against adverse movements in equity, debt and currency markets. The Fund has authority to write (i.e., sell) covered put and call options on its portfolio securities, purchase put and call options on securities and engage in transactions in stock index options, stock index futures and financial futures, and related options on such futures. The

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Fund may also deal in forward foreign exchange transactions and foreign currency options and futures, and related options on such futures. Each of these portfolio strategies is described below. Although certain risks are involved in options and futures transactions (as discussed in "Risk Factors and Special Considerations-- Hedging"), the Investment Adviser believes that, because the Fund will engage in options and futures transactions only for hedging purposes, the options and futures portfolio strategies of the Fund will not subject the Fund to the risks frequently associated with the speculative use of options and futures transactions. While the Fund's use of hedging strategies is intended to reduce volatility, the net asset value of Fund shares will fluctuate.

There can be no assurance that the Fund's hedging transactions will be effective. Suitable hedging instruments may not be available with respect to securities of companies in emerging market Asia-Pacific countries on a timely basis and on acceptable terms. Furthermore, the Fund will only engage in hedging activities from time to time and will not necessarily engage in hedging transactions when movements in any particular equity, debt and currency markets occur.

Set forth below are descriptions of certain hedging strategies in which the Fund is authorized to engage.

Writing Covered Options. The Fund is authorized to write (i.e., sell) covered call options on the securities in which it may invest and to enter into closing

purchase transactions with respect to certain of such options. A covered call option is an option where the Fund in return for a premium gives another party a right to buy specified securities owned by the Fund at a specified future date and price set at the time of the contract. The principal reason for writing options is to attempt to realize, through the receipt of premiums, a greater return than would be realized on the securities alone. By writing covered call options the Fund gives up the opportunity, while the option is in effect, to profit from any price increase in the underlying security above the option exercise price. In addition, the Fund's ability to sell the underlying security will be limited while the option is in effect unless the Fund effects a closing purchase transaction. A closing purchase transaction cancels out the Fund's position as the writer of an option by means of an offsetting purchase of an identical option prior to the expiration of the option it has written. Covered call options serve as a partial hedge against the price of the underlying security declining.

The Fund also may write put options which give the holder of the option the right to sell the underlying security to the Fund at the stated exercise price. The Fund will receive a premium for writing a put option which increases the Fund's return. The Fund writes only covered put options, which means that so long as the Fund is obligated as the writer of the option it will, through its custodian, have deposited and maintained cash, cash equivalents, U.S. Government securities or other high grade liquid securities denominated in U.S. dollars or non-U.S. currencies with a securities depository with a value equal to or greater than the exercise price of the underlying securities. By writing a put, the Fund will be obligated to purchase the underlying security at a price that may be higher than the market value of that security at the time of exercise for as long as the option is outstanding. The Fund may engage in closing transactions in order to terminate put options that it has written. The Fund will not write put options if the aggregate value of the obligations underlying the put options shall exceed 50% of the Fund's net assets.

Purchasing Options. The Fund is authorized to purchase put options to hedge against a decline in the market value of its securities. By buying a put option the Fund has a right to sell the underlying security at the exercise price, thus limiting the Fund's risk of loss through a decline in the market value of the security until the put option expires. The amount of any appreciation in the value of the underlying security will be

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partially offset by the amount of the premium paid for the put option and any related transaction costs. Prior to its expiration, a put option may be sold in a closing sale transaction and profit or loss from the sale will depend on whether the amount received is more or less than the premium paid for the put option plus the related transaction costs. A closing sale transaction cancels out the Fund's position as the purchaser of an option by means of any offsetting sale of an identical option prior to the expiration of the option it has purchased.

In certain circumstances, the Fund may purchase call options on securities held in its portfolio on which it has written call options or on securities which it intends to purchase. The Fund will not purchase options on securities (including stock index options discussed below) if as a result of such purchase, the aggregate cost of all outstanding options on securities held by the Fund would exceed 5% of the market value of the Fund's total assets.

Stock Index Options and Futures and Financial Futures. The Fund is authorized to engage in transactions in stock index options and futures and financial futures, and related options on such futures. The Fund may purchase or write put and call options on stock indices to hedge against the risks of marketwide stock price movement in the securities in which the Fund invests. Options on indices are similar to options on securities except that on exercise or assignment, the parties to the contract pay or receive an amount of cash equal to the difference between the closing value of the index and the exercise price of the option times a specified multiple. The Fund may invest in stock index options based on a broad market index or based on a narrow index representing an industry or market segment.

The Fund may also purchase and sell stock index futures contracts and financial futures contracts ("futures contracts") as a hedge against adverse changes in the market value of its portfolio securities as described below. A futures contract is an agreement between two parties which obligates the purchaser of the futures contract to buy and the seller of a futures contract to sell a security for a set price on a future date. Unlike most other futures contracts, a stock index futures contract does not require actual delivery of securities but results in cash settlement based upon the difference in value of the index between the time the contract was entered into and the time of this settlement. The Fund may effect transactions in stock index futures contracts in connection with the equity securities in which it invests and in financial

futures contracts in connection with the debt securities in which it invests. Transactions by the Fund in stock index futures and financial futures are subject to limitations as described below under "Restrictions on the Use of Futures Transactions".

The Fund may sell futures contracts in anticipation of or during a market decline to attempt to offset the decrease in market value of the Fund's securities portfolio that might otherwise result. When the Fund is not fully invested in the securities markets and anticipates a significant market advance, it may purchase futures in order to gain rapid market exposure that may in part or entirely offset increases in the cost of securities that the Fund intends to purchase. As such purchases are made, an equivalent amount of futures contracts will be terminated by offsetting sales. The Investment Adviser does not consider purchases of futures contracts to be a speculative practice under these circumstances. It is anticipated that, in a substantial majority of these transactions, the Fund will purchase such securities upon termination of the long futures position, whether the long position is the purchase of a futures contract or the purchase of a call option or the writing of a put option on a future, but under unusual circumstances (e.g., the Fund experiences a significant amount of redemptions or there is a change in market conditions), a long futures position may be terminated without the corresponding purchase of securities.

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The Fund also has authority to purchase and write call and put options on futures contracts and stock indices in connection with its hedging activities. Generally, these strategies are utilized under the same market and market sector conditions (i.e., conditions relating to specific types of investments) in which the Fund enters into futures transactions. The Fund may purchase put options or write call options on futures contracts and stock indices rather than selling the underlying futures contract in anticipation of a decrease in the market value of its securities. Similarly, the Fund may purchase call options, or write put options on futures contracts and stock indices, as a substitute for the purchase of such futures to hedge against the increased cost resulting from an increase in the market value of securities which the Fund intends to purchase.

The Fund may engage in options and futures transactions on U.S. and foreign exchanges and in options in the over-the-counter markets ("OTC options"). Exchange-traded contracts are third-party contracts (i.e., performance of the parties' obligations is guaranteed by an exchange or clearing corporation) which, in general, have standardized strike prices and expiration dates. OTC options transactions are two-party contracts with prices and terms negotiated by the buyer and seller.

Foreign Currency Hedging. The Fund has authority to deal in forward exchange among currencies of the different countries in which it will invest and multinational currency units as a hedge against possible variations in the foreign exchange rates among these currencies. This is accomplished through contractual agreements to purchase or sell a specified currency at a specified future date (up to one year) and price set at the time of the contract. The Fund's dealings in forward foreign exchange will be limited to hedging involving either specific transactions or portfolio positions. Transaction hedging is the purchase or sale of forward foreign currency with respect to specific receivables or payables of the Fund accruing in connection with the purchase and sale of its portfolio securities, the sale and redemption of shares of the Fund or the payment of dividends and distributions by the Fund. Position hedging is the sale of forward foreign currency with respect to portfolio security positions denominated or quoted in such foreign currency. The Fund has no limitation on transaction hedging. The Fund will not speculate in foreign forward exchange. If the Fund enters into a position hedging transaction, the Fund's custodian will place cash or liquid debt securities in a separate account of the Fund in an amount equal to the value of the Fund's total assets committed to the consummation of such forward contract. If the value of the securities placed in the separate account declines, additional cash or securities will be placed in the account so that the value of the account will equal the amount of the Fund's commitment with respect to such contracts. Hedging against a decline in the value of a currency does not eliminate fluctuations in the prices of portfolio securities or prevent losses if the prices of such securities decline. Such transactions also preclude the opportunity for gain if the value of the hedged currency should rise. Moreover, it may not be possible for the Fund to hedge against a devaluation that is so generally anticipated that the Fund is not able to contract to sell the currency at a price above the devaluation level it anticipates. Investors should be aware that in certain emerging market Asia-Pacific countries no forward market for foreign currencies currently exists or such market may be closed to investment by the Fund.

The Fund is also authorized to purchase or sell listed or over-the-counter foreign currency options, foreign currency futures and related options on foreign currency futures as a short or long hedge against possible variations in foreign exchange rates. Such transactions may be effected with respect to hedges on non-U.S. dollar denominated securities owned by the Fund, sold by the Fund but not yet delivered, or committed or anticipated to be purchased by the Fund. As an illustration, the Fund may use such techniques to hedge the stated value in U.S. dollars of an investment in a Philippine peso denominated security. In such circumstances, for example, the Fund may purchase a foreign currency put option enabling it to sell a

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specified amount of Philippine peso for dollars at a specified price by a future date. To the extent the hedge is successful, a loss in the value of the Philippine peso relative to the dollar will tend to be offset by an increase in the value of the put option. To offset, in whole or in part, the cost of acquiring such a put option, the Fund may also sell a call option which, if exercised, requires it to sell a specified amount of Philippine pesos for dollars at a specified price by a future date (a technique called a "straddle"). By selling such a call option in this illustration, the Fund gives up the opportunity to profit without limit from increases in the relative value of the Philippine peso to the dollar. The Investment Adviser believes that "straddles" of the type which may be utilized by the Fund constitute hedging transactions and are consistent with the policies described above.

Certain differences exist between these foreign currency hedging instruments. Foreign currency options provide the holder thereof the right to buy or sell a currency at a fixed price on a future date. A futures contract on a foreign currency is an agreement between two parties to buy and sell a specified amount of currency for a set price on a future date. Futures contracts and options on futures contracts are traded on boards of trade or futures exchanges. The Fund will not speculate in foreign currency options, futures or related options. Accordingly, the Fund will not hedge a currency substantially in excess of the market value of the securities which it has committed or anticipates to purchase which are denominated in such currency and, in the case of securities which have been sold by the Fund but not yet delivered, the proceeds thereof in its denominated currency. The Fund may not incur potential net liabilities of more than 20% of its total assets from foreign currency options, futures or related options.

Restrictions on the Use of Futures Transactions. Regulations of the Commodity Futures Trading Commission applicable to the Fund provide that the futures trading activities described herein will not result in the Fund being deemed a "commodity pool" under such regulations if the Fund adheres to certain restrictions. In particular, the Fund may purchase and sell futures contracts and options thereon (i) for bona fide hedging purposes, and (ii) for non-hedging purposes, if the aggregate initial margin and premiums required to establish positions in such contracts and options does not exceed 5% of the liquidation value of the Fund's portfolio, after taking into account unrealized profits and unrealized losses on any such contracts and options.

When the Fund purchases a futures contract, or writes a put option or purchases a call option thereon, an amount of cash and cash equivalents will be deposited in a segregated account with the Fund's custodian so that the amount so segregated, plus the amount of initial and variation margin held in the account of its broker, equals the market value of the futures contract, thereby ensuring that the use of such futures contract is unleveraged.

OTHER INVESTMENT POLICIES AND PRACTICES

Non-Diversified Status. The Fund is classified as non-diversified within the meaning of the Investment Company Act, which means that the Fund is not limited by such Act in the proportion of its assets that it may invest in securities of a single issuer. The Fund's investments will be limited, however, in order to qualify as a "regulated investment company" for purposes of the Internal Revenue Code of 1986, as amended (the "Code"). See "Taxes". To qualify, the Fund will comply with certain requirements, including limiting its investments so that at the close of each quarter of the taxable year (i) not more than 25% of the market value of the Fund's total assets will be invested in the securities of a single issuer and (ii) with respect to 50% of the market value of its total assets, not more than 5% of the market value of its total assets will be invested in the securities of a single issuer, and the Fund will not own more than 10% of the outstanding voting

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securities of a single issuer. A fund which elects to be classified as "diversified" under the Investment Company Act must satisfy the foregoing 5%

and 10% requirements with respect to 75% of its total assets. To the extent that the Fund assumes large positions in the securities of a small number of issuers, the Fund's net asset value may fluctuate to a greater extent than that of a diversified company as a result of changes in the financial condition or in the market's assessment of the issuers, and the Fund may be more susceptible to any single economic, political or regulatory occurrence than a diversified company.

Standby Commitment Agreements. The Fund may from time to time enter into standby commitment agreements. Such agreements commit the Fund, for a stated period of time, to purchase a stated amount of a fixed income security which may be issued and sold to the Fund at the option of the issuer. The price and coupon of the security is fixed at the time of commitment. The Fund will enter into such agreements only for the purpose of investing in the security underlying the commitment at a yield and price that is considered advantageous to the Fund. The Fund will at all times maintain a segregated account with its custodian of cash, cash equivalents, U.S. Government securities or other high grade liquid debt securities denominated in U.S. dollars or non-U.S. currencies in an aggregate amount equal to the purchase price of the securities underlying the commitment.

There can be no assurance that the securities subject to a standby commitment will be issued and the value of the security, if issued, on the delivery date may be more or less than its purchase price. Because of the issuance of the security underlying the commitment is at the option of the issuer, the Fund may bear the risk of a decline in the value of such security and may not benefit from an appreciation in the value of the security during the commitment period.

The purchase of a security subject to a standby commitment agreement and the related commitment fee will be recorded on the date which the security can reasonably be expected to be issued, and the value of the security will thereafter be reflected in the calculation of the Fund's net asset value. The cost basis of the security will be adjusted by the amount of the commitment fee. In the event the security is not issued, the commitment fee will be recorded as income on the expiration date of the standby commitment.

Repurchase Agreements and Purchase and Sale Contracts. The Fund may invest in securities pursuant to repurchase agreements or purchase and sale contracts. Repurchase agreements may be entered into only with a member bank of the Federal Reserve System or a primary dealer in U.S. Government securities. Purchase and sale contracts may be entered into only with financial institutions which have capital of at least \$50 million or whose obligations are guaranteed by an entity having capital of at least \$50 million. Under such agreements, the other party agrees, upon entering into the contract with the Fund, to repurchase the security at a mutually agreed upon time and price in a specified currency, thereby determining the yield during the term of the agreement. This results in a fixed rate of return insulated from market fluctuations during such period although it may be affected by currency fluctuations. In the case of repurchase agreements, the prices at which the trades are conducted do not reflect the accrued interest on the underlying obligations; whereas, in the case of purchase and sale contracts, the prices take into account accrued interest. Such agreements usually cover short periods, often less than one week. Repurchase agreements may be construed to be collateralized loans by the purchaser to the seller secured by the securities transferred to the purchaser. In the case of a repurchase agreement, as a purchaser, the Fund will require the seller to provide additional collateral if the market value of the securities falls below the repurchase price at any time during the term of the repurchase agreement; the Fund does not have the right to seek additional collateral in the case of purchase and sale contracts. In the event of default by the seller under a repurchase agreement construed to

be a collateralized loan, the underlying securities are not owned by the Fund but constitute only collateral for the seller's obligation to pay the repurchase price. Therefore, the Fund may suffer time delays and incur costs or possible losses in connection with the disposition of the collateral. A purchase and sale contract differs from a repurchase agreement in that the contract arrangements stipulate that the securities are owned by the Fund. In the event of a default under such a repurchase agreement or under a purchase and sale contract, instead of the contractual fixed rate of return, the rate of return to the Fund shall be dependent upon intervening fluctuations of the market values of such securities and the accrued interest on the securities. In such event, the Fund would have rights against the seller for breach of contract with respect to any losses resulting from market fluctuations following the failure of the seller to perform. While the substance of purchase and sale contracts is similar to repurchase agreements, because of the different treatment with respect to accrued interest and additional collateral, management believes that the purchase and sale contracts are not repurchase agreements as such term is understood in the banking and brokerage community.

Short Sales. The Fund may make short sales of securities. A short sale is a transaction in which the Fund sells a security it does not own in anticipation that the market price of that security will decline. The Fund expects to make short sales both as a form of hedging to offset potential declines in long positions in similar securities and in order to maintain portfolio flexibility.

When the Fund makes a short sale, it must borrow the security sold short and deliver it to the broker-dealer through which it made the short sale as collateral for its obligation to deliver the security upon conclusion of the sale. The Fund may have to pay a fee to borrow particular securities and is often obligated to pay over any payments received on such borrowed securities.

The Fund's obligation to replace the borrowed security will be secured by collateral deposited with the broker-dealer, usually cash, U.S. Government securities or other high grade liquid securities similar to those borrowed. The Fund will also be required to deposit similar collateral with its custodian to the extent, if any, necessary so that the value of both collateral deposits in the aggregate is at all times equal to at least 100% of the current market value of the security sold short. Depending on arrangements made with the broker-dealer from which it borrowed the security regarding payment over of any payments received by the Fund on such security, the Fund may not receive any payments (including interest) on its collateral deposited with such broker-dealer.

If the price of the security sold short increases between the time of the short sale and the time the Fund replaces the borrowed security, the Fund will incur a loss; conversely, if the price declines, the Fund will realize a gain. Any gain will be decreased, and any loss increased, by the transaction costs described above. Although the Fund's gain is limited to the price at which it sold the security short, its potential loss is theoretically unlimited.

Lending Portfolio Securities. The Fund may from time to time lend securities from its portfolio, with a value not exceeding 33 1/3% of its total assets, to banks, brokers and other financial institutions and receive collateral in cash or securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities which will be maintained at all times in an amount equal to at least 102% of the current market value of the loaned securities. The purpose of such loans is to permit the borrower to use such securities for delivery to purchasers when such borrower has sold short. If cash collateral is received by the Fund, it is invested in short-term money market securities, and a portion of the yield received in respect of such investment is retained by the Fund. Alternatively, if securities are delivered to the Fund as collateral, the Fund and the

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borrower negotiate a rate for the loan premium to be received by the Fund for lending its portfolio securities. In either event, the total yield on the Fund's portfolio is increased by loans of its portfolio securities. The Fund will have the right to regain record ownership of loaned securities to exercise beneficial rights such as voting rights, subscription rights and rights to dividends, interest or other distributions. Such loans are terminable at any time. The Fund may pay reasonable finder's, administrative and custodial fees in connection with such loans.

When-Issued and Forward Commitment Securities. The Fund may purchase securities on a "when-issued" basis. When such transactions are negotiated, the price is fixed at the time the commitment is made, but delivery and payment for the securities take place at a later date. When-issued securities and forward commitments may be sold prior to the settlement date, but the Fund will enter into when-issued and forward commitments only with the intention of actually receiving or delivering the securities, as the case may be. If the Fund disposes of the right to acquire a when-issued security prior to its acquisition or disposes of its right to deliver or receive against a forward commitment, it can incur a gain or loss. At the time the Fund enters into a transaction on a when-issued or forward commitment basis, it will segregate with the custodian cash or other liquid high grade debt securities with a value of not less than the value of the when-issued or forward commitment securities. The value of these assets will be monitored daily to ensure that their marked-to-market value will at all times exceed the corresponding obligations of the Fund. There is always a risk that the securities may not be delivered, and the Fund may incur a loss. Settlements in the ordinary course, which may take substantially more than five business days, are not treated by the Fund as when-issued or forward commitment transactions and accordingly are not subject to the foregoing restrictions.

INVESTMENT RESTRICTIONS

INVESTMENT RESTRICTIONS

The Fund has adopted the following restrictions and policies relating to the investment of its assets and its activities, which are fundamental policies and may not be changed without the approval of the holders of a majority of the Fund's outstanding voting securities (which for this purpose and under the Investment Company Act means the lesser of (i) 67% of the shares represented at a meeting at which more than 50% of the outstanding shares are represented or (ii) more than 50% of the outstanding shares). The Fund may not:

1. Invest more than 25% of its assets, taken at market value at the time of each investment, in the securities of issuers in any particular industry (excluding the U.S. Government and its agencies and instrumentalities).

2. Make investments for the purpose of exercising control or management. Investments by the Fund in wholly-owned investment entities created under the laws of certain countries will not be deemed the making of investments for the purpose of exercising control or management.

3. Purchase or sell real estate, commodities or commodity contracts, provided that the Fund may invest in securities secured by real estate or interests therein or issued by companies that invest in real estate or interests therein, and the Fund may purchase and sell financial futures contracts and options thereon.

4. Make loans to other persons, except that the acquisition of bonds, debentures, loan participations or other corporate debt securities and investment in government obligations, or participations therein, short-term commercial paper, certificates of deposit, bankers' acceptances and

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repurchase agreements and purchase and sale contracts shall not be deemed to be the making of a loan, and except further that the Fund may lend its portfolio securities as set forth in (5) below.

5. Lend its portfolio securities in excess of 33 1/3% of its total assets, taken at market value; provided that such loans may only be made in accordance with the guidelines set forth above.

6. Issue senior securities (including borrowing money) except that in the event it converts to an open-end investment company, the Fund is authorized to borrow up to 20% of its total assets in order to meet redemptions; or pledge its assets other than to secure such issuances or in connection with hedging transactions, short sales, when-issued and forward commitment transactions and similar investment strategies.

7. Underwrite securities of other issuers except insofar as the Fund technically may be deemed an underwriter in selling portfolio securities.

8. Purchase or sell interests (including leases) in oil, gas or other mineral exploration or development programs, except that the Fund may invest in securities issued by companies that engage in oil, gas or other mineral exploration or development activities.

An additional investment restriction adopted by the Fund, which may be changed by the Board of Directors, provides that the Fund may not purchase any securities on margin, except that the Fund may obtain such short-term credit as may be necessary for the clearance of purchases and sales of portfolio securities. The payment by the Fund of initial or variation margin in connection with futures or related options transactions, if applicable, shall not be considered the purchase of a security on margin.

Portfolio securities of the Fund generally may not be purchased from, sold or loaned to the Investment Adviser or its affiliates or any of their directors, officers or employees, acting as principal, unless pursuant to a rule or exemptive order under the Investment Company Act. If a percentage restriction on investment policies or the use of assets set forth above is adhered to at the time a transaction is effected, later changes in percentage resulting from changing values will not be considered a violation.

Because of the affiliation of the Investment Adviser with the Fund, the Fund is prohibited from engaging in certain transactions involving the Investment Adviser's affiliate, Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") or its affiliates except for brokerage transactions permitted under the Investment Company Act involving only usual and customary commissions or transactions pursuant to an exemptive order under the Investment Company Act. See "Portfolio Transactions". Without such an exemptive order, the Fund would be prohibited from engaging in portfolio transactions with Merrill Lynch or its affiliates acting as principal and from purchasing securities in public offerings which are not registered under the Securities Act of 1933, as

amended, in which such firms or any of their affiliates participate as an underwriter or dealer.

RISK FACTORS AND SPECIAL CONSIDERATIONS

GENERAL

Because the Fund intends to invest primarily in equity securities of companies in emerging market Asia-Pacific countries, an investor in the Fund should be aware of certain risk factors and special considerations relating to investing in such securities. More generally, the investor should also be aware of risks and considerations related to international investing and investing in smaller capital markets, each of which may

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involve risks which are not typically associated with investments in securities of U.S. companies. Consequently, an investment in the Fund should not be considered a balanced investment program.

FOREIGN CURRENCY AND EXCHANGE RATE RISKS

The Fund's assets will be invested in foreign securities and substantially all income will be received by the Fund in foreign currencies. However, the Fund will compute and distribute its income in dollars, and the computation of income will be made on the date of its receipt by the Fund at the foreign exchange rate in effect on that date. Therefore, if the value of the foreign currencies in which the Fund receives its income decreases relative to the dollar between receipt of the income and the making of Fund distributions, the Fund will be required to liquidate securities in order to make distributions if the Fund has insufficient cash in dollars to meet distribution requirements.

The value of the assets of the Fund as measured in dollars also may be affected favorably or unfavorably by fluctuations in currency rates and exchange control regulations. Certain of the risks associated with international investments are heightened for investments in companies in emerging market Asia-Pacific countries. For example, some of the currencies of emerging market Asia-Pacific countries have experienced devaluations relative to the U.S. dollar, and major adjustments have been made periodically in certain of such currencies. Certain countries, such as India, face serious exchange constraints. Further, the Fund will incur costs in connection with conversions between various currencies.

INVESTING ON AN INTERNATIONAL BASIS AND IN COUNTRIES WITH SMALLER CAPITAL MARKETS

Investing on an international basis and in countries with smaller capital markets involves certain risks not involved in domestic investments, including fluctuations in foreign exchange rates, future political and economic developments, and the possible imposition of exchange controls or other foreign governmental laws or restrictions. Since the Fund will invest heavily in securities denominated or quoted in currencies other than the U.S. dollar, changes in foreign currency exchange rates will affect the value of securities in the portfolio and the unrealized appreciation or depreciation of investments. In addition, with respect to certain foreign countries, there is the possibility of expropriation of assets, confiscatory taxation, political or social instability or diplomatic developments which could affect investments in those countries. Moreover, individual foreign economies may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross national product, rates of inflation, capital reinvestment, resources, self-sufficiency and balance of payments position. Certain foreign investments may also be subject to foreign withholding taxes. These risks are often heightened for investments in smaller capital markets and emerging market Asia-Pacific countries.

Most of the securities held by the Fund will not be registered with the Securities and Exchange Commission, nor will the issuers thereof be subject to the reporting requirements of such agency. Accordingly, there may be less publicly available information about a foreign company than about a U.S. company, and such foreign companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to those of U.S. companies. As a result, traditional investment measurements, such as price/earnings ratios, as used in the United States, may not be applicable to certain smaller capital markets. Foreign companies, and companies in smaller capital markets in particular, are not generally subject to uniform accounting, auditing and financial reporting standards or to practices and requirements comparable to those applicable to domestic companies. Foreign markets also have different

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clearance and settlement procedures, and in certain markets there have been times when settlements have failed to keep pace with the volume of securities transactions, making it difficult to conduct such transactions. Delays in settlement could result in temporary periods when assets of the Fund are uninvested and no return is earned thereon. The inability of the Fund to make intended security purchases due to settlement problems could cause the Fund to miss attractive investment opportunities. The inability to dispose of a portfolio security due to settlement problems could result either in losses to the Fund due to subsequent declines in the value of such portfolio security or, if the Fund has entered into a contract to sell the security, could result in possible liability to the purchaser. Brokerage commissions and other transaction costs on foreign securities exchanges are generally higher than in the United States. There is generally less government supervision and regulation of exchanges, brokers and issuers in foreign countries than there is in the United States.

The operating expense ratio of the Fund can be expected to be higher than that of an investment company investing exclusively in U.S. securities since the expenses of the Fund, such as management and advisory fees and custodial costs, are higher. In addition, the Fund will incur costs associated with the exchange of currencies.

RISKS RELATING TO INVESTMENT IN EMERGING MARKET ASIA-PACIFIC COUNTRIES' SECURITIES MARKETS AND ECONOMIES

The securities markets of emerging Asia-Pacific countries are not as large as the U.S. securities markets and have substantially less trading volume, resulting in a lack of liquidity with high price volatility. Certain markets are in only the earliest stages of development. There is also a high concentration of market capitalization and trading volume in a small number of issuers representing a limited number of industries, as well as a high concentration of investors and financial intermediaries. Many of such markets also may be affected by developments with respect to more established markets in the region, such as in Japan and Hong Kong. Brokers in emerging market Asia-Pacific countries typically are fewer in number and less capitalized than brokers in the United States. These factors, combined with the U.S. regulatory requirements for closed-end companies and the restrictions on foreign investment discussed below, result in potentially fewer investment opportunities for the Fund and may have an adverse impact on the investment performance of the Fund.

The investment objective of the Fund reflects the belief that the economies of the emerging market Asia-Pacific countries will continue to grow in such a fashion as to provide attractive investment opportunities. At the same time, emerging economies present certain risks that do not exist in more established economies; especially significant is that political and social uncertainties exist for many of the emerging market Asia-Pacific countries. Many of the emerging market Asia-Pacific countries may be subject to a greater degree of economic, political and social instability than is the case in the United States and Western European countries. Such instability may result from, among other things: (i) authoritarian governments or military involvement in political and economic decision-making, including changes in government through extra-constitutional means; (ii) popular unrest associated with demands for improved political, economic and social conditions; (iii) internal insurgencies; (iv) hostile relations with neighboring countries; and (v) ethnic, religious and racial disaffection. In addition, the governments of many of such countries, such as Indonesia, have a heavy role in regulating and supervising the economy. Another risk common to most such countries is that the economy is heavily export oriented and, accordingly, is dependent upon international trade. The existence of overburdened infrastructure and obsolete financial systems also present risks in certain countries, as do environmental problems. Certain economies also depend to a significant degree upon exports of primary

commodities and, therefore, are vulnerable to changes in commodity prices which, in turn, may be affected by a variety of factors.

The legal systems in certain emerging market Asia-Pacific countries also may have an adverse impact on the Fund. For example, while the potential liability of a shareholder in a U.S. corporation with respect to acts of the corporation is generally limited to the amount of the shareholder's investment, the notion of limited liability is less clear in certain emerging market Asia-Pacific countries. Similarly, the rights of investors in emerging market Asia-Pacific companies may be more limited than those of shareholders of U.S. corporations. It may be difficult or impossible to obtain and/or enforce a judgment in an emerging market Asia-Pacific country.

Certain of the risks associated with international investments and investing in smaller capital markets are heightened for investments in emerging market Asia-Pacific countries. Governments of many emerging market Asia-Pacific countries have exercised and continue to exercise substantial influence over many aspects of the private sector. In certain cases, the government owns or controls many companies, including the largest in the country. Accordingly, government actions in the future could have a significant effect on economic conditions in emerging market Asia-Pacific countries, which could affect private sector companies and the Fund, as well as the value of securities in the Fund's portfolio. In addition, economic statistics of emerging market Asia-Pacific countries may be less reliable than economic statistics of more developed nations.

In addition to the relative lack of publicly available information about emerging market Asia-Pacific issuers and the possibility that such issuers may not be subject to the same accounting, auditing and financial reporting standards as U.S. companies, inflation accounting rules in some emerging market Asia-Pacific countries require, for companies that keep accounting records in the local currency, for both tax and accounting purposes, that certain assets and liabilities be restated on the company's balance sheet in order to express items in terms of currency of constant purchasing power. Inflation accounting may indirectly generate losses or profits for certain emerging market Asia-Pacific companies.

Satisfactory custodial services for investment securities may not be available in some emerging market Asia-Pacific countries, which may result in the Fund incurring additional costs and delays in providing transportation and custody services for such securities outside such countries.

As a result, management of the Fund may determine that, notwithstanding otherwise favorable investment criteria, it may not be practicable or appropriate to invest in a particular emerging market Asia-Pacific country. The Fund may invest in countries in which foreign investors, including management of the Fund, have had no or limited prior experience.

RESTRICTIONS ON FOREIGN INVESTMENTS

Some emerging market Asia-Pacific countries prohibit or impose substantial restrictions on investments in their capital markets, particularly their equity markets, by foreign entities such as the Fund. As illustrations, certain countries may require governmental approval prior to investments by foreign persons or limit the amount of investment by foreign persons in a particular company or limit the investment by foreign persons to only a specific class of securities of a company which may have less advantageous terms (including price) than securities of the company available for purchase by nationals. There can be no assurance that the Fund will be able to obtain required governmental approvals in a timely manner. In addition, changes to restrictions on foreign ownership of securities subsequent to the Fund's purchase of such securities may have

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an adverse effect on the value of such securities. Certain countries may restrict investment opportunities in issuers or industries deemed important to national interests.

The manner in which foreign investors may invest in companies in certain emerging market Asia-Pacific countries, as well as limitations on such investments, also may have an adverse impact on the operations of the Fund. For example, the Fund may be required in certain of such countries to invest initially through a local broker or other entity and then have the shares purchased re-registered in the name of the Fund. Re-registration may in some instances not be able to occur on a timely basis, resulting in a delay during which the Fund may be denied certain of its rights as an investor, including rights as to dividends or to be made aware of certain corporate actions. There also may be instances where the Fund places a purchase order but is subsequently informed, at the time of re-registration, that the permissible allocation of the investment to foreign investors has been filled, depriving the Fund of the ability to make its desired investment at that time.

Substantial limitations may exist in certain countries with respect to the Fund's ability to repatriate investment income, capital or proceeds of sales of securities by foreign investors. The Fund could be adversely affected by delays in, or a refusal to grant, any required governmental approval for repatriation of capital, as well as by the application to the Fund of any restrictions on investments.

A number of publicly traded closed-end investment companies have been organized to facilitate indirect foreign investment in emerging market Asia-Pacific countries, and certain of such countries, such as Thailand and South

Korea, have specifically authorized such funds. There also are investment opportunities in certain of such countries in pooled vehicles that resemble open-end investment companies. In accordance with the Investment Company Act, not more than 5% of the Fund's assets may be invested in any one such company. This restriction on investments in securities of investment companies may limit opportunities for the Fund to invest indirectly in certain emerging market Asia-Pacific countries. Shares of certain investment companies may at times be acquired only at market prices representing premiums to their net asset values. If the Fund acquires shares of investment companies or of venture capital funds, shareholders would bear both their proportionate share of expenses in the Fund (including management and advisory fees) and, indirectly, the expenses of such investment companies or venture capital funds.

CERTAIN RISKS OF DEBT SECURITIES

No Rating Criteria for Debt Securities. The Fund has established no rating criteria for the debt securities in which it may invest and such securities may not be rated at all for creditworthiness. Securities rated in the medium to low rating categories of nationally recognized statistical rating organizations such as Standard & Poor's Corporation ("S&P") and Moody's Investors Service, Inc. ("Moody's"), unrated securities of comparable quality (such lower rated and unrated securities are referred to herein as "high yield/high risk securities") are speculative with respect to the capacity to pay interest and repay principal in accordance with the terms of the security and generally involve a greater volatility of price than securities in higher rating categories. See "Appendix A--Ratings of Fixed Income Securities". These securities are commonly referred to as "junk" bonds. In purchasing such securities, the Fund will rely on the Investment Adviser's judgment, analysis and experience in evaluating the creditworthiness of an issuer of such securities. The Investment Adviser will take into consideration, among other things, the issuer's financial resources, its sensitivity to economic conditions and trends, its operating history, the quality of the issuer's management and regulatory matters.

The market values of high yield/high risk securities tend to reflect individual issuer developments to a greater extent than do higher rated securities, which react primarily to fluctuations in the general level of

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interest rates. Issuers of high yield/high risk securities may be highly leveraged and may not have available to them more traditional methods of financing. Therefore, the risk associated with acquiring the securities of such issuers generally is greater than is the case with higher rated securities. For example, during an economic downturn or a sustained period of rising interest rates, issuers of high yield/high risk securities may be more likely to experience financial stress especially if such issuers are highly leveraged. During such periods, service of debt obligations also may be adversely affected by specific issuer developments, or the issuer's inability to meet specific projected business forecasts, or the unavailability of additional financing. The risk of loss due to default by the issuer is significantly greater for the holders of high yield/high risk securities because such securities may be unsecured and may be subordinated to other creditors of the issuer.

High yield/high risk securities may have call or redemption features which would permit an issuer to repurchase the securities from the Fund. If a call were exercised by the issuer during a period of declining interest rates, the Fund likely would have to replace such called securities with lower yielding securities, thus decreasing the net investment income to the Fund and dividends to shareholders.

The Fund may have difficulty disposing of certain high yield/high risk securities because there may be a thin trading market for such securities. To the extent that a secondary trading market for high yield/high risk securities does exist, it is generally not as liquid as the secondary market for higher rated securities. Reduced secondary market liquidity may have an adverse impact on market price and the Fund's ability to dispose of particular issues when necessary to meet the Fund's liquidity needs or in response to a specific economic event such as a deterioration in the creditworthiness of the issuer. Reduced secondary market liquidity for certain high yield/high risk securities also may make it more difficult for the Fund to obtain accurate market quotations for purposes of valuing the Fund's portfolio. Market quotations are generally available on many high yield/high risk securities only from a limited number of dealers and may not necessarily represent firm bids of such dealers of prices for actual sales. The Fund's Directors, or the Investment Adviser will carefully consider the factors affecting the market for high yield/high risk, lower rated securities in determining whether any particular security is liquid or illiquid and whether current market quotations are readily available.

Adverse publicity and investor perceptions, which may not be based on

fundamental analysis, also may decrease the value and liquidity of high yield/high risk securities, particularly in a thinly traded market. Factors adversely affecting the market value of high yield/high risk securities are likely to adversely affect the Fund's net asset value. In addition, the Fund may incur additional expenses to the extent it is required to seek recovery upon a default on a portfolio holding or participate in the restructuring of the obligations.

Sovereign Debt. Certain emerging market Asia-Pacific countries, such as the Philippines and India, owe significant amounts of debt to commercial banks and foreign governments. Investment in sovereign debt involves a high degree of risk. The governmental entity that controls the repayment of sovereign debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. A governmental entity's willingness or ability to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the governmental entity's policy towards the International Monetary Fund and the political constraints to which a governmental entity may be subject. Governmental entities may also be dependent on expected disbursements from foreign governments, multilateral agencies and others abroad to reduce principal and interest arrearages on their debt. The commitment on the part of these governments,

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agencies and others to make such disbursements may be conditioned on a governmental entity's implementation of economic reforms and/or economic performance and the timely service of such debtor's obligations. Failure to implement such reforms, achieve such levels of economic performance or repay principal or interest when due may result in the cancellation of such third parties' commitments to lend funds to the governmental entity, which may further impair such debtor's ability or willingness to timely service its debts. Consequently, governmental entities may default on their sovereign debt.

Holders of sovereign debt, including the Fund, may be requested to participate in the rescheduling of such debt and to extend further loans to governmental entities. There is no bankruptcy proceeding by which sovereign debt on which a governmental entity has defaulted may be collected in whole or in part.

The sovereign debt instruments in which the Fund may invest involve great risk and are deemed to be the equivalent in terms of quality to high yield/high risk securities discussed above and are subject to many of the same risks as such securities. Similarly, the Fund may have difficulty disposing of certain sovereign debt obligations because there may be a thin trading market for such securities.

Distressed Securities. Investment in Distressed Securities is speculative and involves significant risk. The Fund only will make such investments when the Investment Adviser believes it is reasonably likely that the issuer of the securities will make an exchange offer or will be the subject of a plan of reorganization; however, there can be no assurance that such an exchange offer will be made or that such a plan of reorganization will be adopted. In addition, a significant period of time may pass between the time at which the Fund makes its investment in Distressed Securities and the time that any such exchange offer or plan of reorganization is completed. During this period, it is unlikely that the Fund will receive any interest payments on the Distressed Securities, the Fund will be subject to significant uncertainty as to whether or not the exchange offer or plan of reorganization will be completed, and the Fund may be required to bear certain expenses to protect its interest in the course of negotiations surrounding any potential exchange offer or plan of reorganization. In addition, even if an exchange offer is made or a plan of reorganization is adopted with respect to Distressed Securities held by the Fund, there can be no assurance that the securities or other assets received by the Fund in connection with such exchange offer or plan of reorganization will not have a lower value or income potential than anticipated when the investment was made. Moreover, any securities received by the Fund upon completion of an exchange offer or plan of reorganization may be restricted as to resale. In addition, as a result of the Fund's participation in negotiations with respect to any exchange offer or plan of reorganization with respect to an issuer of Distressed Securities, the Fund may be precluded from disposing of such securities.

HEDGING STRATEGIES

The Fund may engage in various portfolio strategies to seek to hedge against movements in the equity markets, interest rates and exchange rates between currencies by the use of options, futures, options on futures and forward

currency transactions. However, suitable hedging instruments may not be available with respect to emerging market Asia-Pacific securities on a timely basis and on acceptable terms. Furthermore, even if hedging techniques are available, the Fund will only engage in hedging activities from time to time and may not necessarily be engaging in hedging activities when market or currency movements occur. Hedging transactions in foreign markets are also subject to the risk factors associated with foreign investments generally, as discussed above. Investors should be aware that the forward currency market for the purchase of U.S. dollars in most, if not all, emerging market Asia-Pacific countries is not highly developed, and that,

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in certain emerging market Asia-Pacific countries, no forward market for foreign currencies currently exists or such market may be closed to investment by the Fund.

Utilization of options and futures transactions involves the risk of imperfect correlation in movements in the prices of options and futures and movements in the prices of the securities or currencies which are the subject of the hedge. If the price of the options and futures moves more or less than the prices of the hedged security or currency, the Fund will experience a gain or loss which will not be completely offset by movements in the prices of the subject of the hedge. The successful use of options and futures also depends on the Investment Adviser's ability to predict correctly price movements in the market involved in a particular options or futures transaction.

Prior to exercise or expiration, an exchange-traded options or futures position can only be terminated by entering into a closing purchase or sale transaction. This requires a secondary market on an exchange for call or put options of the same series. The Fund will enter into options or futures transactions on an exchange only if there appears to be a liquid secondary market for such options or futures. However, there can be no assurance that a liquid secondary market for such options or futures contract will exist at any specific time. Thus, it may not be possible to close an option or futures position. The Fund will acquire only over-the-counter options for which management believes the Fund can receive on each business day at least two independent bids or offers (one of which will be from an entity other than a party to the option), unless a quotation from only one dealer is available, in which case only that dealer's price will be used, or which can be sold at a formula price provided for in the over-the-counter option agreement. In the case of a futures position or an option on a futures position written by the Fund in the event of adverse price movements, the Fund would continue to be required to make daily cash payments of variation margin. In such situations, if the Fund has insufficient cash, it may have to sell portfolio securities to meet daily variation margin requirements at a time when it may be disadvantageous to do so. In addition, the Fund may be required to take or make delivery of the currency or security underlying the futures contracts it holds. The inability to close options and futures positions also could have an adverse impact on the Fund's ability to hedge effectively its portfolio. There is also the risk of loss by the Fund of margin deposits in the event of bankruptcy of a broker with whom the Fund has an open position in a futures contract or related option. The risk of loss from investing in futures transactions is theoretically unlimited.

The exchanges on which the Fund intends to conduct options transactions generally have established limitations governing the maximum number of call or put options on the same underlying security or currency (whether or not covered) which may be written by a single investor, whether acting alone or in concert with others (regardless of whether such options are written on the same or different exchanges or are held or written on one or more accounts or through one or more brokers). "Trading limits" are imposed on the maximum number of contracts which any person may trade on a particular trading day. An exchange may order the liquidation of positions found to be in violation of these limits, and it may impose other sanctions or restrictions.

ILLIQUID INVESTMENTS

The Fund may invest in illiquid securities. Investment of the Fund's assets in relatively illiquid securities may restrict the ability of the Fund to dispose of its investments in a timely fashion and for a fair price as well as its ability to take advantage of market opportunities. The risks associated with illiquidity will be particularly acute in situations in which the Fund's operations require cash, such as when the Fund

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repurchases shares or pays dividends or distributions, and could result in the Fund borrowing to meet short-term cash requirements or incurring capital losses

on the sale of illiquid investments. Further, companies whose securities are not publicly traded are not subject to the disclosure and other investor protection requirements which would be applicable if their securities were publicly traded.

RISK FACTORS OF DERIVATIVES

In order to seek to enhance income and to hedge various portfolio positions, the Fund may invest in certain instruments which may be characterized as derivatives. Investments in indexed securities, including inverse securities, subject the Fund to the risks associated with changes in the particular indices, which may include reduced or eliminated interest payments and losses of invested principal. Interest rate transactions involve the risk of an imperfect correlation between the index used in the hedging transactions and that pertaining to the securities which are the subject of such transactions. Similarly, utilization of options and futures transactions involves the risk of imperfect correlation in movements in the price of options and futures and movements in the price of the securities or interest rates which are the subject of the hedge. For a further discussion of the risks associated with these investments, see "Risk Factors and Special Considerations--Hedging Strategies" and "Appendix B--Options and Futures Transactions."

WITHHOLDING AND OTHER TAXES

Income and capital gains on securities held by the Fund may be subject to withholding and other taxes imposed by emerging market Asia-Pacific countries, which would reduce the return to the Fund on those securities. The Fund intends to elect, when eligible, to "pass-through" to the Fund's shareholders, as a deduction or credit, the amount of foreign taxes paid by the Fund. The taxes passed through to shareholders will be included in each shareholder's income. Certain shareholders, including non-U.S. shareholders, will not be entitled to the benefit of a deduction or credit with respect to foreign taxes paid by the Fund. Other taxes, such as transfer taxes, may be imposed on the Fund, but would not give rise to a credit, or be eligible to be passed through to shareholders.

FOREIGN SUBCUSTODIANS AND SECURITIES DEPOSITORIES

Rules adopted under the Investment Company Act permit the Fund to maintain its foreign securities and cash in the custody of certain eligible non-U.S. banks and securities depositories. Certain banks in foreign countries may not be eligible subcustodians for the Fund under such rules, in which event the Fund may be precluded from purchasing securities in which it would otherwise invest, and other banks that are eligible foreign subcustodians may be recently organized or otherwise lack extensive operating experience. In addition, in certain countries there may be legal restrictions or limitations on the ability of the Fund to recover assets held in custody by foreign subcustodians in the event of the bankruptcy of the subcustodian.

BORROWINGS TO MEET REDEMPTIONS

In the event it converts to an open-end investment company, the Fund is authorized to borrow up to 20% of its total assets in order to meet redemptions so as not to force the Fund to liquidate securities at a disadvantageous time. Any such borrowing will create expenses for the Fund.

NET ASSET VALUE DISCOUNT; NON-DIVERSIFICATION

The Fund is a newly organized company with no prior operating history. Prior to this offering, there has been no public market for the Fund's Common Stock. Shares of closed-end investment companies have

in the past frequently traded at a discount from their net asset values and initial offering price. This characteristic of shares of a closed-end fund is a risk separate and distinct from the risk that a fund's net asset value will decrease. The Fund cannot predict whether its own shares will trade at, below or above net asset value. This risk of loss associated with purchasing shares of a closed-end investment company is more pronounced for investors who purchase in the initial public offering and who wish to sell their shares in a relatively short period of time.

The Fund is classified as a non-diversified investment company under the Investment Company Act, which means that the Fund is not limited by the Investment Company Act in the proportion of its assets that may be invested in the obligations of a single issuer. The Fund, however, intends to comply with the diversification requirements imposed by the Code for qualification as a regulated investment company. Thus, the Fund may invest a greater proportion of its assets in the securities of a smaller number of issuers and, as a result,

will be subject to greater risk of loss with respect to its portfolio securities. See "Taxes" and "Investment Restrictions."

CONVERSION TO OPEN-END STATUS

The Fund's Articles of Incorporation require the Board of Directors to submit a proposal to shareholders to convert the Fund to an open-end investment company during the first quarter of 1996, unless the Board of Directors determines that conversion at that time would not be in the best interest of shareholders. Conversion to open-end status would require possibly disadvantageous changes to the Fund's investment policies and could have an adverse effect on the management of the Fund's investment portfolio. See "The 1996 Vote to Convert to Open-End Status."

ANTI-TAKEOVER PROVISIONS

The Fund's Articles of Incorporation contain certain anti-takeover provisions that may have the effect of limiting the ability of other persons to acquire control of the Fund. In certain circumstances, these provisions might also inhibit the ability of holders of Common Stock to sell their shares at a premium over prevailing market prices. The Fund's Board of Directors has determined that these provisions are in the best interests of shareholders. See "Description of Shares--Certain Provisions of the Articles of Incorporation."

OPERATING EXPENSES

The Fund's estimated annual operating expenses are higher than those of many other investment companies investing exclusively in the securities of U.S. issuers. The operating expenses are, however, believed by the Investment Adviser to be comparable to expenses of other closed-end management investment companies with investment objectives similar to the investment objective of the Fund.

SELECTED ECONOMIC AND MARKET DATA

The Asian continent covers approximately one-fifth of the earth's surface and is home to more than half the world's population. It is among the most economically diverse areas of the world, with economies ranging from that of Japan, a leading industrialized nation, to that of impoverished and politically volatile Cambodia.

In between are the "emerging market" countries of Asia, and even among them there is significant economic diversity. Singapore, for example, has well developed industrial, financial and service sectors but limited natural resources. China and India are less industrialized but have vast land areas and abundant natural resources, including electricity, oil and gas, as well as mineral resources, the largest of which are coal, iron ore, tin ore and tungsten.

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The Investment Adviser anticipates investing initially in companies based in nine of the emerging market Asia-Pacific countries: China, India, Indonesia, Malaysia, Pakistan, the Philippines, Singapore, Sri Lanka and Thailand. The sub-region formed by grouping these nine countries, which includes portions of Central, East and Southeast Asia, extends from Pakistan's border with Iran in the west to the eastern-most point of Manchurian China, the eastern coastline of the Philippines and the southeastern extremities of the Indonesia archipelago. For ease of reference herein, these nine countries are sometimes referred to collectively as the "sub-regional Asian countries," and the area that consists of only the sub-regional Asian countries is sometimes referred to as the "Asian sub-region." Since the Investment Adviser does not plan initially to invest in companies based in any other countries or territories of the region, all such other countries and territories are excluded from the meaning of the foregoing defined terms as used herein. Data on the United States is presented for comparative purposes.

The following is a discussion of (1) the development of the economies in the Asian sub-region, (2) certain conditions indicating continued growth in the sub-region and (3) the development of and recent activity on the sub-region's securities markets. In addition, certain information relating to the sub-regional Asian countries is presented on a country-by-country basis.

ECONOMIC DEVELOPMENT OF THE ASIAN SUB-REGION

Industrialization: 1970-1992. Since 1970, there has been a downward shift in the percentage of GDP accounted for by the agricultural sector in the sub-regional Asian countries and a commensurate increase in output by the industrial sector and, to a lesser extent, the services sector. See Table 1 below. The most noteworthy industrialization has taken place in Indonesia. With

the support of pro-business governmental policies, Indonesia's industrial sector grew from 19% to 41% of its GDP over the period 1970 through 1991. Similarly, Malaysia, which had a largely agricultural economy in the early 1980s, is now the world's largest producer of air conditioners, and in 1992 manufactured products accounted for approximately 45% of its total exports. The Filipino economy is shifting to industry far more slowly but is expected to benefit from certain market-oriented reforms and the development of basic infrastructure such as electrical power facilities.

TABLE 1

BREAKDOWN OF GDP: PERCENTAGES FOR AGRICULTURE,
INDUSTRY AND SERVICES: 1970 AND 1991

<TABLE>
<CAPTION>

	AGRICULTURE (%)		INDUSTRY* (%)		SERVICES (%)	
	1970	1991	1970	1991	1970	1991
	<S>	<C>	<C>	<C>	<C>	<C>
China.....	34	27	38	42	28	32
India.....	45	31	22	27	33	41
Indonesia.....	45	19	19	41	36	39
Malaysia.....	29	N/A	25	N/A	46	N/A
Pakistan.....	37	26	22	26	41	49
Philippines.....	30	21	32	34	39	44
Singapore.....	2	0	30	38	68	62
Sri Lanka.....	28	27	24	25	48	48
Thailand.....	26	12	25	39	49	49

</TABLE>

Source: The World Bank World Development Report, 1993.

* Includes construction.

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Growth Rates: 1980-1992. According to data from the International Monetary Fund, eight of the ten fastest growing economies in the developing world are located in Asia. As shown in Table 2 below, the average annual economic growth of each of the sub-regional Asian countries (except for that of the Philippines) significantly out-paced that of the United States over the last decade and through 1992. As discussed below, the leading factor contributing to economic growth in the sub-region has been export performance. See "Trade and Exports." The fastest growing economy of any of the sub-regional Asian countries over this period was that of China, with an average annual growth rate of 9.7%. China's growth rate was followed by that of Thailand, with an average annual growth rate of 7.9% fueled by significant tourism as well as automobile sales and credit growth, and then Singapore, which had an average annual growth rate of 6.5%. In comparison, the average annual growth rate of the United States over this period was 2.5%.

TABLE 2

REAL GDP

<TABLE>
<CAPTION>

	AVERAGE REAL GDP GROWTH FOR THE PERIOD		NOMINAL GDP 1992 (US\$ BILLIONS)
	1980-1992		
	(%)	(US\$ BILLIONS)	
<S>	<C>	<C>	<C>
China.....	9.7		435**
Thailand*.....	7.9		104
Singapore.....	6.5		46
Pakistan.....	6.1		48
Malaysia*.....	5.9		55
Indonesia.....	5.6		126
India*.....	5.3		266
Sri Lanka.....	4.0		10
Philippines.....	1.0		52
United States.....	2.5		5,951

</TABLE>

Sources (except as hereinafter noted): World Bank World Development Report, 1993; International Monetary Fund, World Economic Outlook, May 1993 and October 1993, International Monetary Fund, International Financial Statistics Yearbook

- * India source: Centre for Monitoring Indian Economy, August 1993; Malaysia source: Bank Negara, Annual Report 1992; Thailand source: Bank of Thailand.
 ** China: GNP.

For the year ended December 31, 1992, GDP growth ranged between 4.0 and 12.8% in the sub-regional Asian countries, excluding the Philippines. In the Philippines, economic growth was constrained by political instability and severely deficient infrastructure during this period. There has been recent progress, however, including the implementation of certain market-oriented policies and the development of certain basic infrastructure such as power generation.

Stages of Development: Existing levels of economic development differ widely among the sub-regional Asian countries. One measure of economic development is GNP per capita, and Singapore's GNP per capita is far higher than that of any other country in this group, as shown in Table 3. At 1991, Singapore had the highest GNP per capita of the "four tigers" (Hong Kong, Korea, Singapore and Taiwan) and among all Asian

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countries was second only to Japan. Although its economic strength is broad-based, Singapore has been notably successful in shipping, export finance and, more recently, the manufacture and export of electronics/computer products. The other countries in the sub-region are at earlier stages in their economic development but, even among them, there are wide variations. Malaysia's GNP per capita, for example, is more than that of Thailand and the Philippines combined and more than seven times greater than that of India.

TABLE 3

1991 GNP PER CAPITA

<TABLE>

<CAPTION>

COUNTRY/TERRITORY -----	GNP PER CAPITA (US\$) -----
<S>	<C>
Singapore.....	14,210
Malaysia.....	2,520
Thailand.....	1,570
Philippines.....	730
Indonesia.....	610
Sri Lanka.....	500
Pakistan.....	400
China.....	370
India.....	330
United States.....	22,240

</TABLE>

Source: World Bank World Development Report, 1993.

CONDITIONS INDICATING CONTINUED GROWTH

While numerous variables will affect the economic progress of countries in the sub-region, the Investment Adviser has identified certain fundamental conditions that indicate continued growth:

Young Work Forces and Competitive Wages. The sub-regional Asian countries have young populations. As shown in Table 4, each such country has a greater percentage of persons under 15 years old and a smaller percentage of persons over 65 years old than has the United States.

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TABLE 4

DEMOGRAPHIC STRUCTURE: 1991

<TABLE>

<CAPTION>

COUNTRY/TERRITORY -----	% OF POPULATION UNDER 15 YEARS	% OF POPULATION 15-64 YEARS	% OF POPULATION 65 AND ABOVE
-----	-----	-----	-----

<S>	<C>	<C>	<C>
China.....	27	66	7
Singapore.....	23	71	6
Thailand.....	32	66	2
Malaysia.....	39	59	2
Philippines.....	39	59	2
Indonesia.....	36	60	4
Pakistan.....	44	54	2
Sri Lanka.....	32	64	4
India.....	36	60	4
United States.....	22	66	12

</TABLE>

- - - - -

Source: The World Bank World Development Report, 1993.

The relatively high percentage of young people in the sub-regional Asian countries indicates a plentiful potential supply of new labor force participants. In this respect, India, Indonesia, Malaysia, Pakistan, the Philippines, Sri Lanka and Thailand are particularly well-positioned. The larger this percentage, the lower the likelihood of significant upward pressure on wage rates over the medium term, which should help ensure a continuation of the current, favorable cost structure these countries enjoy relative to that of the United States and Japan. The Investment Adviser believes that the sub-region's large pool of disciplined and low cost (and in parts of East Asia, well educated) labor, will continue to attract high levels of capital investment by firms based in industrialized countries. See "Established Networks for Direct Foreign Investment" below. It should be noted that the poorer countries in particular will need to maintain a sufficient level of overall economic activity in order to provide employment opportunities to new applicants to the work force. If this cannot be achieved, the export of labor may occur, which has in fact happened in the case of the Philippines. Direct investment and the establishment of labor intensive industries, such as textiles, have had a favorable impact on job creation in the sub-regional Asian countries. Such investment may be deterred, however, by the absence of basic infrastructure such as energy, telephone lines, ports, roads and railways, as has occurred in the Philippines with shortages of electricity.

High Savings Rates; Infrastructure. If the sub-regional Asian countries are to reach their economic potential, a substantial investment in infrastructure will be required, particularly in the poorer of these countries. One example of the inadequate infrastructure is the low penetration rate of telephone lines relative to the population that exists in China, India, Indonesia, Malaysia, Pakistan and Thailand. Several of the sub-regional Asian countries should have the means to overcome the deficiency in infrastructure because of their high domestic savings rates, which are shown in Table 5.

A high rate of savings is generally associated with strong investment, rising productivity and faster GDP growth. As of 1991, the percentage of savings to GDP in each sub-regional Asian country (other than Pakistan and Sri Lanka) was higher than that of the United States. Singapore, with savings equal to 47% of GDP, followed by China at 39% and Indonesia at 36%, in particular compare favorably with the United States, where savings was 15% of GDP at 1991. The savings rates of Sri Lanka, Pakistan, India and the Philippines are the lowest in the region and, in the opinion of the Investment Adviser, will need to be

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improved if investment, and resulting growth, is to progress in such countries. It should be noted that the lack of financial intermediaries capable of channelling available funds between savers and investors may constrain growth in the short term.

TABLE 5
SAVINGS RATE

<TABLE>
<CAPTION>

<S>	1991 SAVINGS AS % OF GDP* ----- <C>
Singapore.....	47
China.....	39
Indonesia.....	36
Thailand.....	32
Malaysia.....	30
Philippines.....	19
India.....	19

Sri Lanka.....	13
Pakistan.....	12
United States.....	15

</TABLE>

- - - - -

* Source: World Bank World Bank Development Report, 1993.

Established Networks for Direct Foreign Investment. Direct foreign investment has supported economic growth in the Asian sub-region. With the rapid appreciation of the Yen since the end of 1985, Japanese investment flows have increased considerably. Japanese firms have built significant regional networks of manufacturing affiliates in the sub-region (most notably in electronics).

The Investment Adviser believes that companies based in Singapore, following the example of Japanese companies, will also become significant direct investors in the sub-region and that Singapore's future growth will be based on expansion of its companies in some of the poorer Asian countries, such as China and India, which have large consumer markets and low-cost labor.

The Investment Adviser believes that in addition to increasing the availability of capital, direct foreign investment confers a number of benefits which enhance the long-term growth potential of the recipient countries, including, among others, (1) the mobilization of domestic savings for productive purposes in joint ventures between multi-national corporations and local companies, (2) the improvement of local training and education as local employees are exposed to modern production techniques and established training methods, (3) the modernization of management and accounting, (4) a transfer of technology and (5) the promotion of exports.

Trade and Exports. The growth of most countries in the Asian sub-region has been tied to strong export performance, including exports by foreign manufacturing facilities operating in such countries. During the 1980s, a significant portion of exports from Asia was shipped to the United States and Europe, which resulted in severe trade account imbalances. The appreciation of the Japanese Yen since the end of 1985, together with increasingly persistent attempts on the part of various United States administrations to lower Asian trade barriers, has resulted in a shift in the pattern of trade. Table 6 shows that in 1992 46.4% of Asian exports went to markets in Asia, while 42.3% of total Asian imports were from the countries in Asia. The Investment Adviser believes that the growth of intra-Asian trade will benefit the sub-region by providing stable growth and insulation from external shocks.

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TABLE 6

INTRA-ASIAN TRADE, 1992
(US\$ IN MILLIONS)

<TABLE>

<CAPTION>

EXPORTS FROM:

TO:

	JAPAN	KOREA	TAIWAN	HONG KONG	SINGAPORE	INDONESIA	MALAYSIA	PHILIPPINES	THAILAND	CHINA	INDIA	PAKISTAN	SRI LANKA	EXPORTS TO ASIA	TOTAL EXPORTS
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Japan.....	--	17,786	21,166	20,779	12,981	5,582	8,128	3,520	10,384	11,967	1,488	1,300	359	113,781	339,991
Korea.....	11,599	--	2,262	5,909	3,222	1,935	1,136	746	1,532	2,654	438	372	210	31,433	74,790
Taiwan.....	9,449	1,315	--	11,243	2,752	1,335	2,245	1,092	2,248	N/A	191	N/A	N/A	31,870	80,723
Hong Kong.....	6,262	1,938	4,219	--	3,130	734	832	1,108	1,059	35,412	330	73	280	55,024	119,512
Singapore.....	2,813	1,626	1,545	4,591	--	1,868	5,699	684	2,700	1,124	1,105	132	255	23,755	49,604
Indonesia.....	11,607	1,385	1,345	869	2,878	--	534	176	335	1,613	59	80	42	20,801	33,840
Malaysia.....	5,401	1,389	1,270	1,549	9,391	506	--	477	1,490	772	430	370	109	22,675	40,709
Philippines.....	2,020	27	283	426	251	40	208	--	109	146	20	4	3	3,530	10,274
Thailand.....	5,686	533	618	1,507	2,823	283	842	155	--	386	65	70	100	12,896	32,473
China.....	11,691	2,435	N/A	37,464	2,029	471	645	209	893	--	158	551	104	55,995	86,220
India.....	1,850	434	199	685	425	160	322	71	304	164	--	47	192	4,614	20,683
Pakistan.....	557	170	--	572	127	94	75	27	114	54	136	--	85	1,820	6,494
Sri Lanka.....	138	41	7	18	46	2	5	2	20	5	12	30	--	200	2,570
Imports from															
Asia.....	76,112	33,393	32,907	95,564	43,351	14,222	24,499	8,218	23,637	47,617	4,133	N/A	N/A	376,376	888,819
Total Imports...	232,947	81,405	67,926	123,430	76,129	27,606	39,927	16,140	40,686	81,739	23,638	N/A	N/A	811,575	
Asian/World Total (%).....	32.7	41.0	48.4	77.4	56.9	51.5	61.4	50.9	58.1	58.3	17.5	N/A	N/A	46.4	

<CAPTION>

EXPORTS FROM:

ASIAN/
WORLD

	TOTAL (%)
<S>	<C>
Japan.....	33.5
Korea.....	42.0
Taiwan.....	39.5
Hong Kong.....	46.0
Singapore.....	47.9
Indonesia.....	61.5
Malaysia.....	55.7
Philippines.....	34.4
Thailand.....	39.7
China.....	64.9
India.....	22.3
Pakistan.....	28.0
Sri Lanka.....	7.8
Imports from Asia.....	42.3
Total Imports... Asian/World Total (%).....	

Sources: Direction of Trade Statistics 1993, International Monetary Fund;
Taiwan source: Financial Statistics of the Central Bank of the ROC.

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Rising Per Capita Incomes. Overall economic activity in the Asian sub-region has been supported by a rising trend in per capita GNP. See Table 3 above. This trend is especially significant in light of the fact that the sub-region contains three of the world's four most populous nations: China (1.15 billion), India (866 million) and Indonesia (181 million). As shown on Table 7, the population of the nine sub-regional countries combined is almost 10 times larger than that of the United States. As such, on a per capita GNP basis there remains great potential for future growth in the sub-region, particularly in the poorer countries, including China, India, Indonesia, Pakistan, the Philippines, Sri Lanka and Thailand. The Investment Adviser believes that these conditions will lead to increased consumption and the growth of local markets for a wide range of products, both imported and locally manufactured.

TABLE 7
POPULATION: 1991

COUNTRY/TERRITORY	POPULATION (MILLIONS)
<S>	<C>
China*.....	1,150
India.....	866
Indonesia.....	181
Pakistan.....	116
Philippines.....	63
Thailand.....	57
Malaysia.....	18
Sri Lanka.....	17
Singapore.....	3
Total.....	2,471
United States.....	253

Source: The World Bank World Development Report, 1993.
* Source: The Statistical Yearbook of the Republic of China, 1992.

SECURITIES MARKETS IN THE ASIAN SUB-REGION

The first stock exchange in the Asian sub-region was established in Bombay, India in 1875. Since then, stock exchanges have been formed in the other countries of the sub-region including, most recently, the Shenzhen Exchange in China which has operated since only 1991. Although varying in size and maturity, most of the stock exchanges in the sub-region, for a wide variety of historical and/or ideological reasons, have at some time been subject to restrictions on foreign ownership.

Up until 1987, investment in Indonesia was effectively closed to foreigners, and India has only recently authorized direct access for approved international institutional investors. Many companies in China, India, Indonesia, Malaysia, the Philippines, Singapore and Thailand have foreign investment restrictions which can result in foreign owned stock trading at a substantial premium or discount to locally-owned shares. Foreign investment restrictions may be subject to change. For example, the Securities Exchange Commission of Thailand is currently studying various proposals to permit foreigners to hold local stock without voting rights. If adopted, such proposals could have the effect of reducing or eliminating the premium at which many foreign owned stocks presently trade. This could have an adverse effect on the Fund if it purchases such stocks at a premium prior to such adoption. It is uncertain whether or when such a change may be implemented.

Average daily volume can be much lower in the sub-region's markets than a typical day's trading volume in the United States, particularly in the small and medium capitalization sectors of the lesser developed stock markets. Since the mid 1980s, however, stock market activity throughout the region, both with respect to daily trading volume and the number of securities traded, has gained momentum. Turnover on the Thai stock market, for example, more than doubled between 1991 and 1992. The Thai stock market is typically regarded as a liquidity-driven market with a high degree of retail business compared with western markets, where institutional investors account for a much larger share of total trades.

In terms of market capitalization, Malaysia is the largest stock market in the Asian sub-region, followed by Thailand and India. Most of the markets in the sub-region markets have seen significant expansion in the number of listed companies. Indonesia experienced the largest percentage increase in new listings between 1983 and 1992, increasing from 19 companies to 155. The number of listed companies on the Stock Exchange of Thailand increased from 88 to 305 over the same period.

The stock market of each sub-regional Asian country has seen positive returns over the past four calendar years, although such returns cannot be assured in the future. These markets in general do not move together. For example, during the period 1989 to 1992, the best performing market was India and the worst was Indonesia, while for the first nine months of 1993 the best performing market was Indonesia and the worst was India. The stock markets in Indonesia, Malaysia and the Philippines are at high levels which may not be sustainable. Accordingly, to the extent that the Fund purchases securities at present levels in these and other high performing Asian stock markets, there may be a greater risk that the value of such securities may decline.

TABLE 8
DEVELOPMENT OF CERTAIN ASIAN STOCK MARKETS
1983-1992

<TABLE>
<CAPTION>

EXCHANGE	LOCAL INDEX	ANNUAL TRADING VALUE		NUMBER OF LISTED COMPANIES		MARKET CAP DEC. 31, U.S.\$ BILLIONS	
		1983	1992	1983	1992	1983	1992
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
China.....	B Share Indices	N/A	13,363	N/A	53	N/A	18*
India.....	BSE Sensitive Index	2,377	20,597	3,118	6,700	7	65
Indonesia.....	JSE Composite	11	3,903	19	155	0.1	12
Malaysia.....	KLSE Composite	3,398	21,730	204	366	23	94
Philippines.....	Manila Com/Ind Index	483	3,104	208	170	1	14
Singapore.....	DDS 50	5,588	14,084	118	163	16	49
Thailand.....	SET	381	72,060	88	305	1	58

</TABLE>

Sources: Emerging Stock Markets Factbook 1993; International Finance Corp.
* As of December 31, 1993, market capitalization was approximately \$39 billion and \$15 billion on the Shanghai Securities Exchange and the Shenzhen Stock Exchange, respectively.

Certain privatization initiatives and relaxation of laws relating to foreign investment in certain sectors should present future investment opportunities and should be conducive to continued infusions of foreign capital. Malaysia, for example, has implemented a major privatization plan which has included, among other things, the stock offerings of Proton (automobile manufacturer) and Tenaga Nasional (power supplier). In

Indonesia, the pro-business government recently passed laws enabling foreign investors to hold up to 49% of the equity securities of Indonesian banks.

INFORMATION WITH RESPECT TO CERTAIN ASIAN SUB-REGION COUNTRIES

Malaysia. Foreign investment in Malaysia has increased significantly due to recent market-oriented reforms. In recent years, Malaysia has reduced its external debt, stabilized its inflation and increased its trade with other nations. Its economy has become less dependent on the export of its natural resources (i.e., rubber, palm oil and tin) and has benefited from the increased competitiveness of its manufacturing sector.

India. India has recently undertaken several steps to open its economy and markets. The rupee has become somewhat convertible, certain tariffs have been lowered and foreign investors are now permitted to hold majority positions in joint ventures in India. The Investment Adviser believes these changes may encourage the development of small entrepreneurial companies in India. The Investment Adviser also believes India's future economic development may benefit from the presence of an affluent middle class even if its export industry does not experience significant growth in the near future.

Thailand. Since 1988 the Thai economy has been the fastest growing economy in Asia. Despite political changes during this period, Thailand's government has consistently espoused market-oriented reforms. The formerly commodity-based economy in Thailand has evolved into a more diverse industrial economy. Exports in certain industrial sectors have had annual increases of more than 20% in recent years. In particular, Thailand has become competitive in the global marketplace with respect to its export of clothing, shoes, electronics, foodstuffs and jewelry.

Singapore. Singapore has a smaller economy that is sensitive to the level of worldwide trade, and has significant service industries in banking and shipbuilding. Its economy has benefitted from increasing trade with other Asian sub-region countries. There is a large presence of U.S. multinational electronic companies in Singapore, and, as a result, Singapore's economy is impacted by the performance of the U.S. electronics industry and the U.S. economy.

China. In recent years China has undertaken significant reforms in its economic policy and structure. With a consumer market of more than 1.1 billion people, China has exhibited a strong economic growth rate which should continue as its market-oriented reforms continue. The Investment Adviser believes this economic performance should provide attractive investment opportunities.

The Philippines. Following a period of readjustment after 20 years under the rule of Marcos, the Philippines is implementing presently certain market-oriented reforms. The Philippines is also undertaking improvements to its infrastructure, such as electrical power generation. The Filipino stock market was the best performing stock market in its region during 1993, despite slow growth in its economy. Such performance can be attributed to the corporate earnings growth rate in 1993 and the expected continued growth in such earnings in 1994. In the corporate sector, certain larger Filipino corporations, in particular those that are oligopolistic in nature, have grown at a faster rate than the broader economy.

Indonesia. Indonesia has a relatively young work force and its economy is largely agrarian. The Indonesian government has undertaken market reforms, which have resulted in an increase in both foreign and local investment. There has also been a trend in Indonesia toward processing raw materials in Indonesia prior to their export. The Indonesian government recently maintained a tight monetary policy in order to control inflation. The Investment Adviser believes a decline in interest rates in Indonesia may stimulate further investment and lead to growth in corporate earnings of Indonesian companies.

DIRECTORS AND OFFICERS

The Directors and executive officers of the Fund and their principal occupations during the last five years are set forth below. Unless otherwise noted, the address of each Director and executive officer is 800 Scudders Mill Road, Plainsboro, New Jersey 08536.

ARTHUR ZEIKEL --President and Director (1)(2)--Director and Chief Investment Officer of the Investment Adviser and Merrill Lynch Asset Management, L.P. ("MLAM"); President and Director of Princeton Services, Inc. since 1993;

Executive Vice President of Merrill Lynch & Co., Inc. since 1990; Executive Vice President of Merrill Lynch since 1990 and a Senior Vice President thereof from 1985 to 1990; Director of Merrill Lynch Funds Distributor, Inc. ("MLFD").

DONALD CECIL--Director (2)--1114 Avenue of the Americas, New York, New York 10036. Special Limited Partner of Cumberland Partners (investment partnership) since 1982; Member of Institute of Chartered Financial Analysts; Member and Chairman of Westchester County (N.Y.) Board of Transportation.

EDWARD H. MEYER--Director (2)--777 Third Avenue, New York, New York 10017. President of Grey Advertising Inc. since 1968, Chief Executive Officer since 1970 and Chairman of the Board of Directors since 1972; Director of The May Department Stores Company, Bowne & Co., Inc., Ethan Allen Interiors Inc. and Harman International Industries, Inc.

CHARLES C. REILLY--Director (2)--9 Hampton Harbor Road, Hampton Bays, New York 11946. Self-employed financial consultant since 1990; President and Chief Investment Officer of Verus Capital, Inc. from 1979 to 1990; former Senior Vice President of Arnhold and S. Bleichroeder, Inc. from 1973 to 1990; Adjunct Professor, Columbia University Graduate School of Business since 1990; Adjunct Professor, Wharton School, University of Pennsylvania, 1990; Director, Harvard Business School Alumni Association.

RICHARD R. WEST--Director (2)--482 Tepi Drive, Southbury, Connecticut 06488. Professor of Finance, and Dean from 1984 to 1993, New York University Leonard N. Stern School of Business Administration; Director of Vornado Realty Trust (real estate investment trust), Smith-Corona Corporation (manufacturer of typewriters and word processors), Alexander's Inc. and Bowne & Co., Inc.

TERRY K. GLENN--Executive Vice President (1)(2)--Executive Vice President of the Investment Adviser and of MLAM since 1983; President of MLFD since 1986 and a Director thereof since 1991.

KARA W. Y. TAN BHALA--Vice President and Portfolio Manager (1)--Portfolio Manager with MLAM since 1992; Vice President of James Capel Inc. from 1988 to 1990; Senior Investment Analyst of James Capel (Far East) Ltd. from 1986 to 1988.

GERALD M. RICHARD--Treasurer (1)(2)--Senior Vice President and Treasurer of MLAM and the Investment Adviser since 1984; Vice President of MLFD since 1981 and Treasurer since 1984.

MICHAEL J. HENNEWINKEL--Secretary (1)(2)--Vice President of MLAM since 1985 and attorney associated with the Investment Adviser and MLAM since 1982.

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- (1) Interested person, as defined in the Investment Company Act, of the Fund.
 - (2) Such Director or officer is a director, trustee or officer of one or more other investment companies for which the Investment Adviser or MLAM acts as investment adviser.

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The Fund pays each Director not affiliated with the Investment Adviser a fee of \$2,000 per year plus \$500 per meeting attended, together with such Director's actual out-of-pocket expenses relating to attendance at meetings. The Fund also compensates members of its audit committee, which consists of all of the Directors not affiliated with the Investment Adviser, an annual fee of \$500.

INVESTMENT ADVISORY AND MANAGEMENT ARRANGEMENTS

The Investment Adviser is an affiliate of MLAM, which is owned and controlled by Merrill Lynch & Co., Inc. ("ML & Co."). The Investment Adviser will provide the Fund with investment advisory and management services. The Investment Adviser or MLAM acts as the investment adviser for over 90 other registered investment companies. The Investment Adviser also offers portfolio management and portfolio analysis services to individuals and institutions. As of January 31, 1994, the Investment Adviser and MLAM had a total of approximately \$167.1 billion in investment company and other portfolio assets under management, including accounts of certain affiliates of the Investment Adviser. In addition to such assets under management, as of that date ML & Co. and its subsidiaries held assets aggregating over \$500 billion on behalf of their customers. The principal business address of the Investment Adviser is 800 Scudders Mill Road, Plainsboro, New Jersey 08536.

The Investment Advisory Agreement between the Fund and the Investment Adviser (the "Investment Advisory Agreement") provides that, subject to the direction of the Board of Directors of the Fund, the Investment Adviser is responsible for the actual management of the Fund's portfolio. The responsibility for making decisions to buy, sell or hold a particular security rests with the

Investment Adviser, subject to review by the Board of Directors.

The Investment Adviser provides the portfolio management for the Fund. Such portfolio management will consider analyses from various sources (including brokerage firms with which the Fund does business), make the necessary investment decisions, and place orders for transactions accordingly. The Investment Adviser also will be responsible for the performance of certain administrative and management services for the Fund.

For the services rendered, the facilities furnished and the expenses assumed by the Investment Adviser under the Investment Advisory Agreement, the Fund will pay a monthly fee at the annual rate of 1.00% of the Fund's average weekly net assets ("average weekly net assets" means the average weekly value of the total assets of the Fund minus the sum of (i) accrued liabilities of the Fund and (ii) any accrued and unpaid interest on outstanding borrowings). For purposes of this calculation, average weekly net assets are determined at the end of each month on the basis of the average net assets of the Fund for each week during the month. The assets for each weekly period are determined by averaging the net assets at the last business day of a week with the net assets at the last business day of the prior week.

The Investment Advisory Agreement obligates the Investment Adviser to provide investment advisory services and to pay all compensation of and furnish office space for officers and employees of the Fund connected with investment and economic research, trading and investment management of the Fund, as well as the compensation of all Directors of the Fund who are affiliated persons of the Investment Adviser or any of its affiliates. The Fund pays all other expenses incurred in the operation of the Fund, including, among other things, expenses for legal and auditing services, taxes, costs of printing proxies, stock certificates and

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shareholder reports, listing fees, charges of the custodian and the transfer agent, dividend disbursing agent and registrar, Securities and Exchange Commission fees, fees and expenses of unaffiliated Directors, accounting and pricing costs, insurance, interest, brokerage costs, litigation and other extraordinary or non-recurring expenses, mailing and other expenses properly payable by the Fund. Accounting services are provided to the Fund by the Investment Adviser, and the Fund reimburses the Investment Adviser for its costs in connection with such services.

Securities held by the Fund also may be held by or be appropriate investments for other funds for which the Investment Adviser or MLAM acts as an advisor or by investment advisory clients of MLAM. Because of different investment objectives or other factors, a particular security may be bought for one or more clients when one or more clients are selling the same security. If purchases or sales of securities for the Fund or other funds for which the Investment Adviser or MLAM acts as investment adviser or for their advisory clients arise for consideration at or about the same time, transactions in such securities will be made, insofar as feasible, for the respective funds and clients in a manner deemed equitable to all. To the extent that transactions on behalf of more than one client of the Investment Adviser or MLAM during the same period may increase the demand for securities being purchased or the supply of securities being sold, there may be an adverse effect on price.

Unless earlier terminated as described below, the Investment Advisory Agreement will remain in effect until February 1, 1996, and from year to year thereafter if approved annually (a) by the Board of Directors of the Fund or by a majority of the outstanding shares of the Fund and (b) by a majority of the Directors who are not parties to such contract or interested persons (as defined in the Investment Company Act) of any such party. Such contract is not assignable and may be terminated without penalty on 60 days' written notice at the option of either party thereto or by the vote of the shareholders of the Fund.

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PORTFOLIO TRANSACTIONS

Subject to policies established by the Board of Directors of the Fund, the Investment Adviser is primarily responsible for the execution of the Fund's portfolio transactions. In executing such transactions, the Investment Adviser seeks to obtain the best results for the Fund, taking into account such factors as price (including the applicable fee, commission or spread), size of order, difficulty of execution and operational facilities of the firm involved, the firm's risk in positioning a block of securities and the provision of supplemental investment research by the firm. While the Investment Adviser generally seeks reasonably competitive fees, commissions or spreads, the Fund

does not necessarily pay the lowest fee, commission or spread available.

The Fund has no obligation to deal with any broker or dealer in execution of transactions in portfolio securities. Subject to obtaining the best price and execution, securities firms which provide supplemental investment research to the Investment Adviser, including Merrill Lynch, may receive orders for transactions by the Fund. Information so received will be in addition to and not in lieu of the services required to be performed by the Investment Adviser under the Investment Advisory Agreement and the expenses of the Investment Adviser will not necessarily be reduced as a result of the receipt of such supplemental information.

The Fund anticipates that its brokerage transactions involving securities of companies domiciled in countries other than the United States generally will be conducted primarily on the principal stock exchanges of such countries. Brokerage commissions and other transaction costs on foreign stock exchange transactions are generally higher than in the United States, although the Fund will endeavor to achieve the best net results in effecting its portfolio transactions. There is generally less governmental supervision and regulation of foreign stock exchanges and brokers than in the United States.

The Fund will invest in certain securities traded in the over-the-counter market and, where possible, intends to deal directly with the dealers who make markets in the securities involved, except in those circumstances where better prices and execution are available elsewhere. Under the Investment Company Act, except as permitted by exemptive order, persons affiliated with the Fund are prohibited from dealing with the Fund as principals in the purchase and sale of securities. Since transactions in the over-the-counter market usually involve transactions with dealers acting as principals for their own account, the Fund will not deal with affiliated persons, including Merrill Lynch and its affiliates, in connection with such transactions. In addition, the Fund may not purchase securities during the existence of any underwriting syndicate for such securities of which Merrill Lynch is a member except pursuant to procedures approved by the Board of Directors of the Fund which comply with rules adopted by the Securities and Exchange Commission. To the extent Merrill Lynch is active in distributions of securities of companies in emerging market Asia-Pacific countries, the Fund may be disadvantaged in that it may not purchase securities in such distributions. An affiliated person of the Fund may serve as its broker in over-the-counter transactions conducted on an agency basis.

The Fund's ability and decisions to purchase and sell portfolio securities may be affected by foreign laws and regulations relating to the convertibility and repatriation of assets.

PORTFOLIO TURNOVER

Generally, the Fund does not purchase securities for short-term trading profits. However, the Fund may dispose of securities without regard to the time they have been held when such actions, for defensive or other reasons, appear advisable to the Investment Adviser. While it is not possible to predict turnover rates with

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any certainty, at present it is anticipated that the Fund's annual portfolio turnover rate, under normal circumstances, will be less than 100%. (The portfolio turnover rate is calculated by dividing the lesser of purchases or sales of portfolio securities for the particular fiscal year by the monthly average of the value of the portfolio securities owned by the Fund during the particular fiscal year. For purposes of determining this rate, all securities whose maturities at the time of acquisition are one year or less are excluded.)

DIVIDENDS AND DISTRIBUTIONS

It is the Fund's intention to distribute all of its net investment income. Dividends from such net investment income are paid at least annually. All net realized long-term or short-term capital gains, if any, are distributed at least annually to holders of Common Stock. From time to time, the Fund may declare a special distribution at or about the end of the calendar year in order to comply with a Federal income tax requirement that certain percentages of its ordinary income and capital gains be distributed during the calendar year.

Under the Investment Company Act, the Fund is not permitted to issue senior securities unless immediately after such issuance the Fund has an asset coverage of 300% of the aggregate outstanding principal amount of senior securities. Additionally, under the Investment Company Act, the Fund may not declare any dividend or other distribution upon any class of its capital stock, or purchase any such capital stock, unless the aggregate amount of senior securities of the Fund has, at the time of the declaration of any such dividend

or distribution or at the time of any such purchase, an asset coverage of at least 300% after deducting the amount of such dividend, distribution, or purchase price, as the case may be.

See "Automatic Dividend Reinvestment Plan" for information concerning the manner in which dividends and distributions to holders of Common Stock may be reinvested automatically in shares of Common Stock of the Fund. Dividends and distributions may be taxable to shareholders whether they are reinvested in shares of the Fund or received in cash.

TAXES

The Fund intends to elect and to qualify for the special tax treatment afforded regulated investment companies ("RICs") under the Internal Revenue Code of 1986, as amended (the "Code"). If it so qualifies, the Fund (but not its shareholders) will not be subject to Federal income tax on the part of its net ordinary income and net realized capital gains which it distributes to shareholders. The Fund intends to distribute substantially all of such income.

Dividends paid by the Fund from its ordinary income and distributions of the Fund's net realized short-term capital gains (together referred to hereafter as "ordinary income dividends") are taxable to shareholders as ordinary income. Distributions made from the Fund's net realized long-term capital gains ("capital gain dividends") are taxable to shareholders as long-term capital gains, regardless of the length of time the shareholder has owned Fund shares. Distributions in excess of the Fund's earnings and profits will first reduce the adjusted tax basis of a holder's shares and, after such adjusted tax basis is reduced to zero, will constitute capital gains to such holder (assuming the shares are held as a capital asset). Any loss upon the sale or exchange of Fund shares held for six months or less, however, will be treated as long-term capital loss to the extent of any capital gain dividends received by the shareholder.

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Dividends are taxable to shareholders even though they are reinvested in additional shares of the Fund. Not later than 60 days after the close of its taxable year, the Fund will provide its shareholders with a written notice designating the amounts of any ordinary income or capital gain dividends. Distributions by the Fund, whether from ordinary income or capital gains, generally will not be eligible for the dividends received deduction allowed to corporations under the Code. If the Fund pays a dividend in January which was declared in the previous October, November or December to shareholders of record on a specified date in one of such months, then such dividend will be treated for tax purposes as being paid by the Fund and received by its shareholders on December 31 of year in which such dividend was declared.

Ordinary income dividends paid by the Fund to shareholders who are nonresident aliens or foreign entities will be subject to a 30% U.S. withholding tax under existing provisions of the Code applicable to foreign individuals and entities unless a reduced rate of withholding or a withholding exemption is provided under applicable treaty law. Nonresident shareholders are urged to consult their own tax advisers concerning the applicability of the U.S. withholding tax.

Under certain provisions of the Code, some shareholders may be subject to a 31% withholding tax on reportable dividends, capital gain dividends and redemption payments ("backup withholding"). Generally, shareholders subject to backup withholding will be those for whom a certified taxpayer identification number is not on file with the Fund or who, to the Fund's knowledge, have furnished an incorrect number. When establishing an account, an investor must certify under penalty of perjury that such number is correct and that such investor is not otherwise subject to backup withholding.

Dividends and interest received by the Fund may give rise to withholding and other taxes imposed by foreign countries. Tax conventions between certain countries and the United States may reduce or eliminate such taxes. Shareholders may be able to claim U.S. foreign tax credits with respect to such taxes, subject to certain provisions and limitations contained in the Code. For example, certain retirement accounts cannot claim foreign tax credits on investments in foreign securities held in the Fund. If more than 50% in value of the Fund's total assets at the close of its taxable year consists of securities of foreign corporations, the Fund will be eligible, and intends, to file an election with the Internal Revenue Service pursuant to which shareholders of the Fund will be required to include their proportionate shares of such withholding taxes in their U.S. income tax returns as gross income, treat such proportionate shares as taxes paid by them, and deduct such proportionate shares in computing their taxable incomes or, alternatively, use them as foreign tax credits against their U.S. income taxes. No deductions for foreign taxes, however, may be claimed by noncorporate shareholders who do not

itemize deductions. A shareholder that is a nonresident alien individual or a foreign corporation may be subject to U.S. withholding tax on the income resulting from the Fund's election described in this paragraph but may not be able to claim a credit or deduction against such U.S. tax for the foreign taxes treated as having been paid by such shareholder. The Fund will report annually to its shareholders the amount per share of such withholding taxes.

The Code requires a RIC to pay a nondeductible 4% excise tax to the extent the RIC does not distribute, during each calendar year, 98% of its ordinary income, determined on a calendar year basis, and 98% of its capital gains, determined, in general, on an October 31 year end, plus certain undistributed amounts from previous years. While the Fund intends to distribute its income and capital gains in the manner necessary to avoid imposition of the 4% excise tax, there can be no assurance that sufficient amounts of the Fund's taxable income and capital gains will be distributed to avoid entirely the imposition of the tax. In such event, the Fund will be liable for the tax only on the amount by which it does not meet the foregoing distribution requirements.

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The Fund may invest up to 10% of its total assets in securities of closed-end investment companies. If the Fund purchases shares of an investment company (or similar investment entity) organized under foreign law, the Fund will be treated as owning shares in a passive foreign investment company ("PFIC") for U.S. Federal income tax purposes. The Fund may be subject to U.S. Federal income tax, and an additional tax in the nature of interest (the "interest charge"), on a portion of distributions from such company and on gain from the disposition of the shares of such company (collectively referred to as "excess distributions"), even if such excess distributions are paid by the Fund as a dividend to its shareholders. The Fund may be eligible to make an election with respect to certain PFICs in which it owns shares that will allow it to avoid the taxes on excess distributions. However, such election may cause the Fund to recognize income in a particular year in excess of the distributions received from such PFICs. Alternatively, under proposed regulations which, when finalized, are expected to apply retroactively, the Fund may elect to "mark to market" at the end of each taxable year all shares that it holds in PFICs. If it makes this election, the Fund will recognize as ordinary income any increase in the value of such shares. Unrealized losses, however, will not be recognized. By making the mark-to-market election, the Fund can avoid imposition of the interest charge with respect to its distributions from PFICs, but in any particular year may be required to recognize income in excess of the distributions it receives from PFICs and its proceeds from dispositions of PFIC stock.

TAX TREATMENT OF OPTIONS, FUTURES AND FORWARD FOREIGN EXCHANGE TRANSACTIONS

The Fund may write, purchase or sell options, futures and forward foreign exchange contracts. Options, futures or forward foreign exchange contracts that are "Section 1256 contracts" will be marked-to-market for Federal income tax purposes at the end of each taxable year, i.e., each such options, futures or forward foreign exchange contract will be treated as sold for its fair market value on the last day of the taxable year. Unless such contract is a non-equity option or a regulated futures contract for a non-U.S. currency and the Fund elects to have gain or loss in connection with the contract treated as ordinary gain or loss under Code Section 988 (as described below), gain or loss attributable to Section 1256 contracts will be 60% long-term and 40% short-term capital gain or loss. The mark-to-market rules outlined above, however, will not apply to certain transactions entered into by the Fund solely to reduce the risk of changes in price or interest or currency exchange rates with respect to its investments.

A forward foreign exchange contract that is a Section 1256 contract will be marked to market, as described above. However, the character of gain or loss from such a contract will generally be ordinary under Code Section 988. The Fund may, nonetheless, elect to treat the gain or loss from certain forward foreign exchange contracts as capital. In this case, gain or loss realized in connection with a forward foreign exchange contract that is a Section 1256 contract will be characterized as 60% long-term and 40% short-term capital gain or loss.

Code Section 1092, which applies to certain "straddles", may affect the taxation of the Fund's options, futures and interest rate transactions and its short sales of securities. Under Section 1092, the Fund may be required to postpone recognition for tax purposes of losses incurred in certain closing transactions in options and futures contracts, interest rate swaps and certain short sales of securities.

One of the requirements for qualification as a RIC is that less than 30% of the Fund's gross income may be derived from gains from the sale or other disposition of securities held for less than three months. Accordingly, the

Fund may be restricted in effecting closing transactions within three months after entering into an options or futures contract.

Special Rules for Certain Foreign Currency Transactions. In general, gains from "foreign currencies" and from foreign currency options, foreign currency futures and forward foreign exchange contracts relating to investments in stock, securities or foreign currencies will be qualifying income for purposes of determining whether the Fund qualifies as a RIC. It is currently unclear, however, who will be treated as the issuer of a foreign currency instrument or how foreign currency options, foreign currency futures and forward foreign currency contracts will be valued for purposes of the RIC diversification requirements applicable to the Fund. The Fund may request a private letter ruling from the Internal Revenue Service on some or all of these issues.

Under Code Section 988, special rules are provided for certain transactions in a foreign currency other than the taxpayer's functional currency (i.e., unless certain special rules apply, currencies other than the U.S. dollar). In general, foreign currency gains or losses from certain debt instruments, from certain forward contracts, from futures contracts that are not "regulated futures contracts" and from unlisted options will be treated as ordinary income or loss under Code Section 988. In certain circumstances, the Fund may elect capital gain or loss treatment for such transactions. Regulated futures contracts, as described above, will be taxed under Code Section 1256 unless application of Section 988 is elected by the Fund. In general, however, Code Section 988 gains or losses will increase or decrease the amount of the Fund's investment company taxable income available to be distributed to shareholders as ordinary income. Additionally, if Code Section 988 losses exceed other investment company taxable income during a taxable year, the Fund would not be able to make any ordinary dividend distributions, and any distributions made before the losses were realized but in the same taxable year would be recharacterized as a return of capital to shareholders, thereby reducing the basis of each shareholder's Fund shares. These rules and the mark-to-market rules described above, however, will not apply to certain transactions entered into by the Fund solely to reduce the risk of currency fluctuations with respect to its investments.

The Treasury Department has authority to issue regulations concerning the recharacterization of principal and interest payments with respect to debt obligations issued in hyperinflationary currencies, which may include the currencies of certain emerging market Asia-Pacific countries in which the Fund intends to invest. No such regulations have been issued.

The foregoing is a general and abbreviated summary of the applicable provisions of the Code and Treasury regulations presently in effect. For the complete provisions, reference should be made to the pertinent Code sections and the Treasury regulations promulgated thereunder. The Code and the Treasury regulations are subject to change by legislative or administrative action either prospectively or retroactively.

Ordinary income and capital gain dividends may also be subject to state and local taxes.

Certain states exempt from state income taxation dividends paid by RICs that are derived from interest on U.S. Government obligations. State law varies as to whether dividend income attributed to U.S. Government obligations is exempt from state income tax.

Shareholders are urged to consult their own tax advisers regarding specific questions as to Federal, foreign, state or local taxes. Foreign investors should consider applicable foreign taxes in their evaluations of an investment in the Fund.

AUTOMATIC DIVIDEND REINVESTMENT PLAN

Pursuant to the Fund's Automatic Dividend Reinvestment Plan (the "Plan"), unless a shareholder otherwise elects, all dividend and capital gains distributions will be reinvested automatically by State Street Bank and Trust Company, as agent for shareholders in administering the Plan (the "Plan Agent"), in additional shares of Common Stock of the Fund. Shareholders who elect not to participate in the Plan will receive all distributions in cash paid by check mailed directly to the shareholder of record (or, if the shares

are held in street or other nominee name, then to such nominee) by State Street Bank and Trust Company, as dividend paying agent. Such participants may elect not to participate in the Plan and to receive all distributions of dividends and capital gains in cash by sending written instructions to State Street Bank and Trust Company, as dividend paying agent, at the address set forth below. Participation in the Plan is completely voluntary and may be terminated or resumed at any time without penalty by written notice if received by the Plan Agent not less than ten days prior to any dividend record date; otherwise such termination will be effective with respect to any subsequently declared dividend or distribution.

Whenever the Fund declares an ordinary income dividend or a capital gain dividend (collectively referred to as "dividends") payable either in shares or in cash, non-participants in the Plan will receive cash, and participants in the Plan will receive the equivalent in shares of Common Stock. The shares will be acquired by the Plan Agent for the participant's account, depending upon the circumstances described below, either (i) through receipt of additional unissued but authorized shares of Common Stock from the Fund ("newly issued shares") or (ii) by purchase of outstanding shares of Common Stock on the open market ("open-market purchases") on the New York Stock Exchange or elsewhere. If on the payment date for the dividend, the net asset value per share of the Common Stock is equal to or less than the market price per share of the Common Stock plus estimated brokerage commissions (such condition being referred to herein as "market premium"), the Plan Agent will invest the dividend amount in newly issued shares on behalf of the participant. The number of newly issued shares of Common Stock to be credited to the participant's account will be determined by dividing the dollar amount of the dividend by the net asset value per share on the date the shares are issued, provided that the maximum discount from the then current market price per share on the date of issuance may not exceed 5%. If on the dividend payment date the net asset value per share is greater than the market value (such condition being referred to herein as "market discount"), the Plan Agent will invest the dividend amount in shares acquired on behalf of the participant in open-market purchases. Prior to the time the shares of Common Stock commence trading on the New York Stock Exchange, participants in the Plan will receive any dividends in newly issued shares. In addition, if the Fund is converted to an open-end fund, its shares will no longer be listed on any stock exchange and participants in the Plan will receive any dividends in newly issued shares at their net asset value.

In the event of a market discount on the dividend payment date, the Plan Agent will have until the last business day before the next date on which the shares trade on an "ex-dividend" basis or in no event more than 30 days after the dividend payment date (the "last purchase date") to invest the dividend amount in shares acquired in open-market purchases. If, before the Plan Agent has completed its open-market purchases, the market price of a share of Common Stock exceeds the net asset value per share, the average per share purchase price paid by the Plan Agent may exceed the net asset value of the Fund's shares, resulting in the acquisition of fewer shares than if the dividend had been paid in newly issued shares on the dividend payment date. Because of the foregoing difficulty with respect to open-market purchases, the Plan provides that if the Plan Agent is unable to invest the full dividend amount in open-market purchases during the purchase period or if the market discount shifts to a market premium during the purchase period, the Plan

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Agent will cease making open-market purchases and will invest the uninvested portion of the dividend amount in newly issued shares at the close of business on the last purchase date.

The Plan Agent maintains all shareholders' accounts in the Plan and furnishes written confirmation of all transactions in the accounts, including information needed by shareholders for tax records. Shares in the account of each Plan participant will be held by the Plan Agent on behalf of the Plan participant, and each shareholder's proxy will include those shares purchased or received pursuant to the Plan. The Plan Agent will forward all proxy solicitation materials to participants and vote proxies for shares held pursuant to the Plan in accordance with the instructions of the participants.

In the case of shareholders such as banks, brokers or nominees which hold shares for others who are the beneficial owners, the Plan Agent will administer the Plan on the basis of the number of shares certified from time to time by the record shareholders as representing the total amount registered in the record shareholder's name and held for the account of beneficial owners who are to participate in the Plan.

There will be no brokerage charges with respect to shares issued directly by the Fund as a result of dividends or capital gains distributions payable either in shares or in cash. However, each participant will pay a pro rata share of

brokerage commissions incurred with respect to the Plan Agent's open-market purchases in connection with the reinvestment of dividends.

The automatic reinvestment of dividends and distributions will not relieve participants of any Federal, state or local income tax that may be payable (or required to be withheld) on such dividends. See "Taxes."

Shareholders participating in the Plan may receive benefits not available to shareholders not participating in the Plan. If the market price plus commissions of the Fund's shares is above the net asset value, participants in the Plan will receive shares of the Fund at less than they could otherwise purchase them and will have shares with a cash value greater than the value of any cash distribution they would have received on their shares. If the market price plus commissions is below the net asset value, participants will receive distributions in shares with a net asset value greater than the value of any cash distribution they would have received on their shares. However, there may be insufficient shares available in the market to make distributions in shares at prices below the net asset value. Also, since the Fund does not redeem its shares, the price on resale may be more or less than the net asset value. See "Taxes" for a discussion of tax consequences of the Plan.

Experience under the Plan may indicate that changes are desirable. Accordingly, the Fund reserves the right to amend or terminate the Plan. There is no direct service charge to participants in the Plan; however, the Fund reserves the right to amend the Plan to include a service charge payable by the participants.

All correspondence concerning the Plan should be directed to the Plan Agent at Two Heritage Drive, Quincy, Massachusetts, 02171.

MUTUAL FUND INVESTMENT OPTION

Purchasers of shares of the Fund in this offering will have an investment option consisting of the right to reinvest the net proceeds from a sale of such shares (the "Original Shares") in Class A initial sales charge shares of certain Merrill Lynch- sponsored open-end mutual funds ("Eligible Class A Shares") at their net asset value, without the imposition of the initial sales charge, if the conditions set forth below are satisfied. First, the sale of the Original Shares must be made through Merrill Lynch, and the net proceeds therefrom must be reinvested immediately in Eligible Class A Shares. Second, the Original Shares must either have been

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acquired in this offering or be shares representing reinvested dividends from shares acquired in this offering. Third, the Original Shares must have been maintained continuously in a Merrill Lynch securities account. Fourth, there must be a minimum purchase of \$250 to be eligible for the investment option. Class A shares of certain of the mutual funds may be subject to an account maintenance fee at an annual rate of up to 0.25% of the average daily net asset value of such mutual fund. The Eligible Class A Shares may be redeemed at any time at the next determined net asset value, subject in certain cases to a redemption fee. Prior to the time the shares commence trading on the New York Stock Exchange, the distributor for the mutual funds will advise Merrill Lynch financial consultants as to those mutual funds which offer the investment option described above.

NET ASSET VALUE

Net asset value per share is determined at 4:15 P.M., New York time, on the last business day in each week. For purposes of determining the net asset value of a share of Common Stock, the value of the securities held by the Fund plus any cash or other assets (including interest accrued but not yet received) minus all liabilities (including accrued expenses) and the aggregate liquidation value of any outstanding shares of preferred stock is divided by the total number of shares of Common Stock outstanding at such time. Expenses, including the fees payable to the Investment Adviser, are accrued daily.

The Fund determines and makes available for publication the net asset value of its shares weekly. Currently, the net asset values of shares of publicly traded, closed-end investment companies are published in Barron's and in the Monday editions of The Wall Street Journal and The New York Times.

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 last available bid price. Securities traded in the over-the-counter market are valued at the last available bid prices obtained from one or more dealers in the over-the-counter market prior to the time of valuation. 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. Other investments, including futures contracts and related options, are stated at market value. 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 Board of Directors of the Fund.

Certain portfolio securities (other than short-term obligations but including listed issues) may be valued on the basis of prices furnished by one or more pricing services which determine prices for normal, institutional-size trading units of such securities using market information, transactions for comparable securities and various relationships between securities which are generally recognized by institutional traders. Rights or warrants to acquire stock, or stock acquired pursuant to the exercise of a right or warrant, may be valued taking into account various factors such as original cost to the Fund, earnings and net worth of the issuer, market prices for securities of similar issuers, assessment of the issuer's future prosperity, liquidation value or third party transactions involving the issuer's securities. Securities for which there exist no price quotations or valuations and all other assets are valued at fair value as determined in good faith by or on behalf of the Board of Directors of the Fund.

DESCRIPTION OF SHARES

The Fund is authorized to issue 200,000,000 shares of capital stock, par value \$.10 per share, all of which shares initially are classified as Common Stock. The Board of Directors is authorized, however, to classify and reclassify any unissued shares of capital stock by setting or changing the preferences, conversion or other

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rights, voting powers, restrictions, limitations as to dividends, qualifications or terms or conditions of redemption. The Fund may reclassify an amount of unissued capital stock into one or more additional or other classes or series in accordance with limitations set forth in the Investment Company Act.

Shares of Common Stock, when issued and outstanding, will be fully paid and non-assessable. Shareholders are entitled to share pro rata in the net assets of the Fund available for distribution to shareholders upon liquidation of the Fund. Shareholders are entitled to one vote for each share held.

The Fund will send unaudited reports at least semi-annually and audited annual financial statements to all of its shareholders.

As of February 14, 1994, there were 7,055 shares issued and outstanding, all of which were owned by the Investment Adviser.

CERTAIN PROVISIONS OF THE ARTICLES OF INCORPORATION

The Fund's Articles of Incorporation require the Board of Directors to submit a proposal to convert the Fund to an open-end investment company to shareholders during the first quarter of 1996, unless the Board of Directors determines that conversion at that time would not be in the best interest of shareholders. See "The 1996 Vote to Convert to Open-End Status."

The Fund's Articles of Incorporation include provisions that could have the effect of limiting the ability of other entities or persons to acquire control of the Fund or to change the composition of its Board of Directors and could have the effect of depriving shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging a third party from seeking to obtain control of the Fund. A Director may be removed from office with or without cause but only by vote of the holders of at least 66 2/3% of the shares entitled to be voted on the matter.

In addition, the Articles of Incorporation require the favorable vote of the holders of at least 66 2/3% of the Fund's shares of capital stock, then entitled to be voted, voting as a single class, to approve, adopt or authorize the following:

- (i) a merger or consolidation or statutory share exchange of the Fund with any other corporation,
- (ii) a sale of all or substantially all of the Fund's assets (other than in the regular course of the Fund's investment activities), or
- (iii) a liquidation or dissolution of the Fund,

unless such action has been approved, adopted or authorized by the affirmative vote of at least two-thirds of the total number of Directors fixed in

accordance with the by-laws of the Fund, in which case the affirmative vote of a majority of the Fund's shares of capital stock is required.

In addition, conversion of the Fund to an open-end investment company would require an amendment to the Fund's Articles of Incorporation. The amendment would have to be determined to be in the best interest of the shareholders of the Fund by the Board of Directors prior to its submission to shareholders. Such an amendment would require the favorable vote of the holders of at least a majority of the Fund's outstanding shares (including any preferred stock) entitled to be voted on the matter, voting as a single class (or a majority of such shares if the amendment previously was approved, adopted or authorized by at least two-thirds of the total number of Directors fixed in accordance with the Fund's by-laws). Such a vote also

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would satisfy a separate requirement in the Investment Company Act that the change be approved by the shareholders. Shareholders of an open-end investment company may require the company to redeem their shares of common stock at any time (except in certain circumstances as authorized by or under the Investment Company Act) at their net asset value, less such redemption charge, if any, as might be in effect at the time of a redemption. All redemptions will be made in cash. If the Fund is converted to an open-end investment company, it could be required to liquidate portfolio securities to meet requests for redemption and the shares no longer would be listed on a stock exchange. Conversion to an open-end investment company also would require changes in certain of the Fund's investment policies and restrictions, such as those relating to the borrowing of money and the purchase of illiquid securities.

The Board of Directors has determined that the 66 2/3% voting requirements described above, which are greater than the minimum requirements under Maryland law or the Investment Company Act, are in the best interests of shareholders generally. Reference should be made to the Articles of Incorporation on file with the Securities and Exchange Commission for the full text of these provisions.

CUSTODIAN

Brown Brothers Harriman & Co., 40 Wall Street, Boston, Massachusetts 02109, will act as the custodian for the Fund's assets and will employ foreign sub-custodians approved by the Fund's Board of Directors in accordance with regulations of the Securities and Exchange Commission.

UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") has agreed, subject to the terms and conditions of a Purchase Agreement with the Fund and the Investment Adviser, to purchase shares of Common Stock from the Fund. Merrill Lynch is committed to purchase all of such shares if any are purchased.

Merrill Lynch has advised the Fund that it proposes initially to offer the shares to the public at the public offering price set forth on the cover page of this Prospectus, except that the price will be reduced to \$14.85 per share for purchases in single transactions of between 6,668 and 16,835 shares and to \$14.70 for purchases in single transactions of 16,836 or more shares. Merrill Lynch also has advised the Fund that it may offer shares to certain dealers at the initial offering price set forth in the preceding sentence less a concession not in excess of \$.65 per share (\$.53 per share for purchases in single transactions of between 6,668 and 16,835 shares and \$.41 for purchases in single transactions of 16,836 or more shares). Merrill Lynch may allow, and such dealers may reallow, a discount on sales to certain other dealers not in excess of \$.10 per share. After the initial public offering, the public offering price, concession and discount may be changed. Investors must pay for any shares of Common Stock purchased in the initial public offering on or before March 4, 1994. The maximum sales load of \$.825 per share is equal to 5.50%, the sales load of \$.675 per share is equal to 4.55% and the sales load of \$.525 per share is equal to 3.57% of the respective initial public offering prices.

The Fund has granted Merrill Lynch an option, exercisable for 45 days after the date hereof, to purchase up to 3,075,000 additional shares of Common Stock to cover over-allotments, if any, at the initial offering price less the sales load. If all such shares are purchased, the total maximum price to public, maximum sales load and proceeds to the Fund will be \$353,625,000, \$19,449,375 and \$334,175,625, respectively.

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Prior to this offering, there has been no public market for the shares of the Fund. The Fund's shares have been approved for listing on the New York Stock Exchange under the symbol "TGF", subject to official notice of issuance. However, during an initial period which is not expected to exceed four weeks from the date of this Prospectus, the Fund's shares will not be listed on any securities exchange. Additionally, during such period, Merrill Lynch does not intend to make a market in the Fund's shares, although a limited market may develop. Consequently, it is anticipated that an investment in the Fund will be illiquid during such period. In order to meet the requirements for listing, Merrill Lynch has undertaken to sell lots of 100 or more shares to a minimum of 2,000 beneficial owners.

The Fund anticipates that Merrill Lynch from time to time may act as a broker in connection with the execution of the Fund's portfolio transactions.

Merrill Lynch is an affiliate of the Investment Adviser of the Fund. Merrill Lynch's principal business address is Merrill Lynch World Headquarters, World Financial Center, North Tower, New York, New York 10281-1305.

The Fund and the Investment Adviser have agreed to indemnify Merrill Lynch against certain liabilities including liabilities under the Securities Act of 1933.

TRANSFER AGENT, DIVIDEND DISBURSING AGENT AND REGISTRAR

The transfer agent, dividend disbursing agent and registrar for the shares of the Fund is State Street Bank and Trust Company, Two Heritage Drive, Quincy, Massachusetts 02171.

LEGAL OPINIONS

Certain legal matters in connection with the shares offered hereby will be passed upon for the Fund and Merrill Lynch by Brown & Wood, New York, New York. Brown & Wood will rely as to matters of Maryland law on the opinion of Ginsburg, Feldman and Bress, Chartered, Washington, D.C.

EXPERTS

The statement of assets, liabilities and capital of the Fund included in this Prospectus has been so included in reliance on the report of Deloitte & Touche, independent auditors, and on their authority as experts in auditing and accounting.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholder of
EMERGING TIGERS FUND, INC.

We have audited the accompanying statement of assets, liabilities and capital of Emerging Tigers Fund, Inc. as of February 14, 1994. This financial statement is the responsibility of the Fund's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 audit provides a reasonable basis for our opinion.

In our opinion, such statement of assets, liabilities and capital presents fairly, in all material respects, the financial position of Emerging Tigers Fund, Inc. as of February 14, 1994, in conformity with generally accepted accounting principles.

Deloitte & Touche
Princeton, New Jersey
February 18, 1994

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EMERGING TIGERS FUND, INC.

STATEMENT OF ASSETS, LIABILITIES AND CAPITAL

FEBRUARY 14, 1994

<TABLE>
 <S> <C>
 ASSETS
 </TABLE>

<TABLE>	
<S>	<C>
Cash.....	\$100,005
Deferred organization and offering costs (Note 1).....	475,000

</TABLE>

<TABLE>	
<S>	<C>
Total Assets.....	575,005

</TABLE>

<TABLE>
 <S> <C>
 LIABILITIES
 </TABLE>

<TABLE>	
<S>	<C>
Deferred organization and offering costs payable (Note 1)	475,000

NET ASSETS.....	\$100,005
	=====

</TABLE>

CAPITAL

<TABLE>	
<S>	<C>
Common Stock, par value \$.10 per share; 200,000,000 shares authorized; 7,055 shares issued and outstanding (Note 1).....	\$ 706

</TABLE>

<TABLE>	
<S>	<C>
Paid-in Capital in excess of par.....	99,299

Total Capital-Equivalent of \$ net asset value per share of Common Stock (Note 1).....	\$100,005
	=====

</TABLE>

NOTES TO STATEMENT OF ASSETS, LIABILITIES AND CAPITAL

NOTE 1. ORGANIZATION

The Fund was incorporated under the laws of the State of Maryland on December 23, 1993, as a closed-end, non-diversified management investment company and has had no operations other than the sale to Fund Asset Management, L.P. (the "Investment Adviser") of an aggregate of 7,055 shares for \$100,005 on February 14, 1994.

Deferred organization costs will be amortized on a straight-line basis over a five-year period beginning with the commencement of operations of the Fund. Direct costs relating to the public offering of the Fund's shares will be charged to capital at the time of issuance.

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NOTE 2. MANAGEMENT ARRANGEMENTS

The Fund has engaged the Investment Adviser to provide investment advisory and management services to the Fund. The Investment Adviser will receive a monthly fee at the annual rate of 1.00% of the Fund's average weekly net assets plus the proceeds of any outstanding borrowings used for leverage.

NOTE 3. FEDERAL INCOME TAXES

The Fund intends to qualify as a "regulated investment company" and as such

(and by complying with the applicable provisions of the Internal Revenue Code of 1986, as amended) will not be subject to Federal income tax on taxable income (including realized capital gains) that is distributed to shareholders.

RATINGS OF FIXED INCOME SECURITIES

DESCRIPTION OF CORPORATE BOND RATINGS OF MOODY'S INVESTORS SERVICE, INC. ("MOODY'S"):

- Aaa Bonds which are rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and generally are referred to as "gilt-edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.
- Aa Bonds which are rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what generally are known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as with Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than with Aaa securities.
- A Bonds which are rated A possess many favorable investment attributes and are to be considered as upper medium-grade obligations. Factors giving security to principal and interest are considered adequate, but elements may be present which suggest a susceptibility to impairment sometime in the future.
- Baa Bonds which are rated Baa are considered medium-grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.
- Ba Bonds which are rated Ba are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.
- B Bonds which are rated B generally lack characteristics of a desirable investment. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small.
- Caa Bonds which are rated Caa are of poor standing. Such issues may be in default or there may be present elements of danger with respect to principal or interest.
- Ca Bonds which are rated Ca represent obligations which are speculative in a high degree. Such issues are often in default or have other marked shortcomings.
- C Bonds which are rated C are the lowest rated class of bonds and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

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The modifier 1 indicates that the bond ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the issue ranks in the lower end of its rating category.

DESCRIPTION OF MOODY'S PREFERRED STOCK RATINGS

Because of the fundamental differences between preferred stocks and bonds, a variation of the bond rating symbols is being used in the quality ranking of preferred stocks. The symbols, presented below, are designed to avoid comparison with bond quality in absolute terms. It should always be borne in mind that preferred stocks occupy a junior position to bonds within a particular capital structure and that these securities are rated within the

universe of preferred stocks.

Preferred stock rating symbols and their definitions are as follows:

- aaa An issue which is rated "aaa" is considered to be a top-quality preferred stock. This rating indicates good asset protection and the least risk of dividend impairment within the universe of preferred stocks.
- aa An issue which is rated "aa" is considered a high-grade preferred stock. This rating indicates that there is reasonable assurance that earnings and asset protection will remain relatively well maintained in the foreseeable future.
- a An issue which is rated "a" is considered to be an upper-medium grade preferred stock. While risks are judged to be somewhat greater than in the "aaa" and "aa" classifications, earnings and assets protection are, nevertheless, expected to be maintained at adequate levels.
- baa An issue which is rated "baa" is considered to be medium grade, neither highly protected nor poorly secured. Earnings and asset protection appear adequate at present but may be questionable over any great length of time.
- ba An issue which is rated "ba" is considered to have speculative elements and its future cannot be considered well assured. Earnings and asset protection may be very moderate and not well safeguarded during adverse periods. Uncertainty of position characterizes preferred stocks in this class.
- b An issue which is rated "b" generally lacks the characteristics of a desirable investment. Assurance of dividend payments and maintenance of other terms of the issue over any long period of time may be small.
- caa An issue which is rated "caa" is likely to be in arrears on dividend payments. This rating designation does not purport to indicate the future status of payments.
- ca An issue which is rated "ca" is speculative in a high degree and is likely to be in arrears on dividends with little likelihood of eventual payment.
- c This is the lowest rated class of preferred or preference stock. Issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

Note: Moody's may apply numerical modifiers 1, 2 and 3 in each rating classification from "aa" through "b" in its preferred stock rating system. The modifier 1 indicates that the security ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category.

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DESCRIPTION OF CORPORATE BOND RATINGS OF STANDARD & POOR'S CORPORATION ("S&P"):

<TABLE>

<S>	<C>
AAA	Bonds rated AAA have the highest rating assigned by S&P. Capacity to pay interest and repay principal is extremely strong.
AA	Bonds rated AA have a very strong capacity to pay interest and repay principal and differ from the higher-rated issues only in small degree.
A	Bonds rated A have a strong capacity to pay interest and repay principal although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than bonds in higher-rated categories.
BBB	Bonds rated BBB are regarded as having an adequate capacity to pay interest and repay principal. Whereas they normally exhibit adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for bonds in this category than in higher-rated categories.
BB, B, CCC, CC	Bonds rated BB, B, CCC and CC are regarded, on balance, as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligation. BB indicates the lowest degree of speculation and CC the highest degree of speculation. While such bonds likely will have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.
C	The C rating is reserved for income bonds on which no interest is being paid.
D	Bonds rated D are in default, and payment of interest and/or repayment of principal is in arrears.

NR Indicates that no rating has been requested, that there is insufficient information on which to base a rating, or that S&P does not rate a particular type of bond as a matter of policy.

</TABLE>

Plus (+) or Minus (-): The ratings from AA to B may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

DESCRIPTION OF STANDARD & POOR'S PREFERRED STOCK RATINGS

A Standard & Poor's preferred stock rating is an assessment of the capacity and willingness of an issuer to pay preferred stock dividends and any applicable sinking fund obligations. A preferred stock rating differs from a bond rating inasmuch as it is assigned to an equity issue, which issue is intrinsically different from, and subordinated to, a debt issue. Therefore, to reflect this difference, the preferred stock rating symbol will normally not be higher than the bond rating symbol assigned to, or that would be assigned to, the senior debt of the same issuer.

The preferred stock ratings are based on the following considerations:

- I. Likelihood of payment--capacity and willingness of the issuer to meet the timely payment of preferred stock dividends and any applicable sinking fund requirements in accordance with the terms of the obligation;
- II. Nature of, and provisions of, the issue;

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- III. Relative position of the issue in the event of bankruptcy, reorganization, or other arrangements affecting creditors' rights.

- AAA This is the highest rating that may be assigned by Standard & Poor's to a preferred stock issue and indicates an extremely strong capacity to pay the preferred stock obligations.
- AA A preferred stock issue rated "AA" also qualifies as a high-quality fixed income security. The capacity to pay preferred stock obligations is very strong, although not as overwhelming as for issues rated "AAA."
- A An issue rated "A" is backed by a sound capacity to pay the preferred stock obligations, although it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions.
- BBB An issue rated "BBB" is regarded as backed by an adequate capacity to pay the preferred stock obligations. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to make payments for a preferred stock in this category than for issues in "A" Category.
- BB,B, CCC Preferred stock rated "BB," "B," and "CCC" are regarded, on balance, as predominately speculative with respect to the issuer's capacity to pay preferred stock obligations. "BB" indicates the lowest degree of speculation and "CCC" the highest degree of speculation. While such issues will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.
- CC The rating "CC" is reserved for a preferred stock issue in arrears on dividends or sinking fund payments but that is currently paying.
- C A preferred stock rated "C" is a non-paying issue.
- D A preferred stock rated "D" is a non-paying issue with the issuer in default on debt instruments.

NR indicates that no rating has been requested, that there is insufficient information on which to base a rating, or that S&P does not rate a particular type of obligation as a matter of policy.

Plus (+) or minus (-): To provide more detailed indications of preferred stock quality, the ratings from "AA" to "CCC" may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

The preferred stock ratings are not a recommendation to purchase, sell or

hold a security inasmuch as market price is not considered in arriving at the rating. Preferred stock ratings are wholly unrelated to Standard & Poor's earnings and dividend rankings for common stocks.

The ratings are based on current information furnished to Standard & Poor's by the issuer or obtained by Standard & Poor's from other sources it considers reliable. The ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of, such information.

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APPENDIX B

OPTIONS AND FUTURES TRANSACTIONS

Reference is made to the discussion under the caption "Other Investment Policies and Practices--Portfolio Strategies Involving Options and Futures" above for information with respect to various portfolio strategies involving such portfolio strategies.

WRITING COVERED OPTIONS

The writer of a covered call option has no control over when he may be required to sell his securities since he may be assigned an exercise notice at any time prior to the termination of his obligation as a writer. If an option expires unexercised, the writer realizes a gain in the amount of the premium. Such a gain, of course, may be offset by a decline in the market value of the underlying security during the option period. If a call option is exercised, the writer realizes a gain or loss from the sale of the underlying security.

PUT OPTIONS ON PORTFOLIO SECURITIES

The Fund writes only covered put options which means that so long as the Fund is obligated as the writer of the option it will, through its custodian, have deposited and maintained cash, cash equivalents, U.S. government securities or other high grade liquid debt with the Fund's custodian with a value equal to or greater than the exercise price of the underlying securities. By writing a put, the Fund will be obligated to purchase the underlying security at a price that may be higher than the market value of that security at the time of exercise for as long as the option is outstanding. The Fund may engage in closing transactions in order to terminate put options that it has written.

OPTIONS MARKETS

The options in which the Fund invests may be options issued by The Options Clearing Corporation (the "Clearing Corporation") which are currently traded on the Chicago Board Options Exchange, American Stock Exchange, Philadelphia Stock Exchange, Pacific Stock Exchange, New York Stock Exchange or Midwest Stock Exchange. An option position may be closed out only on an exchange which provides a secondary market for an option of the same series. If a secondary market does not exist, it might not be possible to effect closing transactions in particular options, with the result, in the case of a covered call option, that the Fund will not be able to sell the underlying security until the option expires or it delivers the underlying security upon exercise. Reasons for the absence of a liquid secondary market on an exchange include the following: (i) there may be insufficient trading interest in certain options; (ii) restrictions may be imposed by an exchange on opening transactions or closing transactions or both; (iii) trading halts, suspensions or other restrictions may be imposed with respect to particular classes or series of options or underlying securities; (iv) unusual or unforeseen circumstances may interrupt normal operations on an exchange; (v) the facilities of an exchange or the Clearing Corporations may not at all times be adequate to handle current trading volume; or (vi) one or more exchanges could, for economic or other reasons, decide or be compelled at some future date to discontinue the trading of options (or a particular class or series of options), in which event the secondary market on that exchange (or in that class or series of options) would cease to exist, although outstanding options on that exchange that had been issued by the Clearing Corporation as a result of trade on that exchange would continue to be exercisable in accordance with their terms.

The Fund may also enter into OTC options, which are two-party contracts with price and terms negotiated between the buyer and seller. The staff of the Commission has taken the position that OTC options and the assets used as cover for written OTC options are illiquid securities. However, if the OTC option is

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sold by the Fund to a primary U.S. government securities dealer recognized by

the Federal Reserve Bank of New York and the Fund has the unconditional contractual right to repurchase such OTC option from the dealer at a predetermined price, then the Fund will treat as illiquid such amount of the underlying securities as is equal to the repurchase price less the amount by which the option is "in-the-money" (i.e., current market value of the underlying security minus the option's strike price). The repurchase price with the primary dealers is typically a formula price which is generally based on a multiple of the premium received for the option, plus the amount by which the option is "in-the-money." This Policy is not a fundamental policy of the Fund and may be amended by the Directors of the Fund without the approval of the Fund's shareholders. However, the Fund will not change or modify this policy prior to the change or modification by the Commission staff of its position.

FINANCIAL FUTURES AND OPTIONS THEREON

The purchase or sale of a futures contract differs from the purchase or sale of a security in that no price or premium is paid or received. Instead, an amount of cash or securities acceptable to the broker and the relevant contract market, which varies, but is generally about 5% of the contract amount, must be deposited with the broker. This amount is known as "initial margin" and represents a "good faith" deposit assuring the performance of both the purchaser and seller under the futures contract. Subsequent payments to and from the broker, called "variation margin," are required to be made on a daily basis as the price of the futures contracts fluctuates making the long and short positions in the futures contracts more or less valuable, a process known as "mark to the market." At any time prior to the settlement date of the futures contract, the position may be closed out by taking an opposite position which will operate to terminate the position in the futures contract. A final determination of variation margin is then made, additional cash is required to be paid to or released by the broker and the purchaser realizes a loss or gain. In addition, a nominal commission is paid on each completed sale transaction.

The Fund has received an order from the Commission exempting it from the provisions of Section 17(f) of the Investment Company Act in connection with its strategy of investing in futures contracts. Section 17(f) relates to the custody of securities and other assets of an investment company and may be deemed to prohibit certain arrangements between the Fund and commodities brokers with respect to initial and variation margin.

RISK FACTORS IN OPTIONS AND FUTURES TRANSACTIONS

In the case of a futures position or an option on a futures position written by the Fund, in the event of adverse price movements, the Fund would continue to be required to make daily cash payments of variation margin. In such situations, if the Fund has insufficient cash, it may have to sell portfolio securities to meet daily variation margin requirements at a time when it may be disadvantageous to do so. In addition, the Fund may be required to take or make delivery of the securities underlying futures contracts it holds. The inability to close options and futures positions also could have an adverse impact on the Fund's ability to hedge effectively its portfolio.

The exchanges on which the Fund intends to conduct its options transactions have generally established limitations governing the maximum number of call or put options on the same underlying security (whether or not covered) which may be written by a single investor, whether acting alone or in concert with others (regardless of whether such options are written on the same or different exchanges or are held or written on one or more accounts or through one or more brokers). "Trading limits" are imposed on the maximum number of contracts which any person may trade on a particular trading day. An exchange may order the liquidation of positions found to be in violation of these limits, and it may impose other sanctions or restrictions. The Investment Adviser does not believe that these trading and position limits will have any adverse impact on the portfolio strategies for hedging the Fund's portfolio.

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NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFERING OF ANY SECURITIES OTHER THAN THE REGISTERED SECURITIES TO WHICH IT RELATES OR AN OFFER TO ANY PERSON IN ANY STATE OR JURISDICTION OF THE UNITED STATES OR ANY COUNTRY WHERE SUCH OFFER WOULD BE UNLAWFUL.

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UNTIL MAY 26, 1994 (90 DAYS AFTER THE COMMENCEMENT OF THE OFFERING), ALL DEALERS EFFECTING TRANSACTIONS IN THE COMMON STOCK, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS DELIVERY REQUIREMENT IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

20,500,000 SHARES
EMERGING TIGERS FUND, INC.

COMMON STOCK

PROSPECTUS

MERRILL LYNCH & CO.

FEBRUARY 25, 1994

CODE #17032