SECURITIES AND EXCHANGE COMMISSION

FORM 10-K405

Annual report pursuant to section 13 and 15(d), Regulation S-K Item 405

Filing Date: **1999-03-26** | Period of Report: **1998-12-31**
SEC Accession No. 0000950130-99-001698

(HTML Version on secdatabase.com)

FILER

SECTOR STRATEGY FUND L P

CIK:**862525**| IRS No.: **133568563** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-K405** | Act: **34** | File No.: **000-18702** | Film No.: **99574501**
SIC: **6798** Real estate investment trusts

Mailing Address
WORLD FINANCIAL CENTER
SOUTH TOWER, 6TH FLOOR
NEW YORK NY 10080-6106

Business Address
C/O ML FUTURES
INVESTMENT PARTNERS INC
WORLD FIN'L CNTR 6TH FLR -
SOUTH TWR
NEW YORK NY 10080
2122364161

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(x) Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the fiscal year ended: December 31, 1998
or
( ) Transition Report Pursuant to Section 13
or 15(d) of the Securities Exchange Act of 1934

Commission file number: 0-18702

THE S.E.C.T.O.R. STRATEGY FUND (SM) L.P.
(Safety of Equity Capital; Targeting Overall Return)

(Exact name of registrant as specified in its charter)

DELAWARE	13-3568563
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

C/O MERRILL LYNCH INVESTMENT PARTNERS INC.
MERRILL LYNCH WORLD HEADQUARTERS
WORLD FINANCIAL CENTER
SOUTH TOWER, NEW YORK, NY 10080

(Address of principal executive offices)

Registrant's telephone number, including area code: (212) 236-5662

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT: None

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: Limited Partnership Units

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant: the registrant is a limited partnership: as of February 1, 1999, limited partnership units with an aggregate value of $17,954,767 were outstanding and held by non-affiliates.

DOCUMENTS INCORPORATED BY REFERENCE

The registrant's "1998 Annual Report and Independent Auditors' Report," the annual report to security holders for the fiscal year ended December 31, 1998, is incorporated by reference into Part II, Item 8 and Part IV hereof and filed as an Exhibit herewith.

THE S.E.C.T.O.R. STRATEGY FUND (SM) L.P.

ANNUAL REPORT FOR 1998 ON FORM 10-K

Table of Contents

<TABLE>
<CAPTION>

PART I	PAGE
<S>	<C>
Item 1. Business...	1

Item 2.	Properties	6
Item 3.	Legal Proceedings	6
Item 4.	Submission of Matters to a Vote of Security Holders	6
	PART II	
Item 5.	Market for Registrant's Common Equity and Related Stockholder Matters	6
Item 6.	Selected Financial Data	7
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	10
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	17
Item 8.	Financial Statements and Supplementary Data	17
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	17
	PART III	
Item 10.	Directors and Executive Officers of the Registrant	17
Item 11.	Executive Compensation	19
Item 12.	Security Ownership of Certain Beneficial Owners and Management	19
Item 13.	Certain Relationships and Related Transactions	20
	PART IV	
Item 14.	Exhibits, Financial Statement Schedules and Reports on Form 8-K	21

</TABLE>

PART I

ITEM 1: BUSINESS

(a) General Development of Business:

The S.E.C.T.O.R. Strategy Fund (SM) L.P. (Safety of Equity Capital; Targeting Overall Return) (the "Partnership") was organized under the Delaware Revised Uniform Limited Partnership Act on April 30, 1990 and began trading operations on July 16, 1990. The Partnership made a single offering of its units of limited partnership interest ("Units"). Units may be redeemed as of the end of each calendar month. The Partnership engages (currently, through an investment in a limited liability company, see below) in the speculative trading of a portfolio of futures, options on futures, forwards and options on forward contracts and related options in the currencies, interest rates, stock index, metals, agricultural and energy sectors of the world futures markets. The Partnership's objective is achieving, through speculative trading, substantial capital appreciation, over time, while also assuring investors of at least a predetermined minimum Net Asset Value per Unit as of the Principal Assurance Date.

Merrill Lynch Investment Partners Inc. (the "General Partner" or "MLIP") is the general partner of the Partnership and selects and allocates the Partnership's assets (through the Partnership's investment in ML Multi-Manager Portfolio LLC ("MM LLC"), among professional advisors ("Trading Advisors" or "Advisors"), each unaffiliated with MLIP and each of which trades independently of the others. The Partnership and MM LLC are referred to throughout this document, either individually and/or collectively, as the "Fund". MLIP also determines what percentage of the Fund's assets to allocate to trading and what percentage to hold in reserve. Merrill Lynch Futures Inc. (the "Commodity Broker" or "MLF") is the Partnership's commodity broker. A portion of the Partnership's assets is held by a commodity broker, other than MLF, to facilitate the trading of a certain independent advisor. The General Partner is a wholly-owned subsidiary of Merrill Lynch Group, Inc., which, in turn, is a wholly-owned subsidiary of Merrill Lynch & Co., Inc. ("ML&Co."). The Commodity Broker is an indirect wholly-owned subsidiary of ML&Co. (ML&Co. and its affiliates are herein sometimes referred to as "Merrill Lynch.")

Prior to October 1, 1996, the Partnership placed assets with the Trading Advisors by opening individual managed accounts with them. For the period from October 1, 1996 to May 31, 1998, the Partnership placed assets with certain of the Trading Advisors through investing in private funds ("Trading LLCs") sponsored by MLIP, through which the trading accounts of different MLIP-sponsored funds managed by the same Advisor pursuant to the same strategy were consolidated. The only members of the Trading LLCs were commodity pools sponsored by MLIP. Placing assets with an Advisor through investing in a Trading LLC rather than a managed account had no economic effect on the Partnership, except to the extent that the Partnership benefited from the Advisor not having to allocate trades among a number of different accounts (rather than acquiring a single position for the Trading LLC as a whole). As of June 1, 1998, MLIP consolidated the trading accounts of nine of its multi-advisor funds (the "Multi-Advisor Funds"), including the Partnership. The consolidation was achieved by having these Multi-Advisor Funds invest in a single Delaware limited liability company, MM LLC, which opened a single account with each Advisor selected. MM LLC is managed by MLIP, has no investors other than the Multi-Advisor Funds and serves solely as the vehicle through which the assets of such Multi-Advisor Funds are combined in order to be managed through single rather than multiple accounts. The placement of assets into MM LLC did not change the operations or fee structure of the Partnership. The administrative authority over the Partnership, as well as MM LLC, remains with MLIP. The following disclosures relate to the operation of the Partnership through its investment in MM LLC.

In addition to its investment in MM LLC, the Partnership maintains a cash account. From time to time, the General Partner allocates and reallocates Partnership assets among its investment in MM LLC and its cash accounts in an attempt to increase profit potential while limiting the downside risks associated with futures and forward trading (in order to prevent ML&Co. from incurring any obligations under its guarantee of a minimum Net Asset Value per Unit, as described below). Initially, the General Partner allocated approximately 30% of the Partnership's assets to cash and approximately 70% to trading. As of December 31, 1998, 100% was invested in MM LLC.

As of December 31, 1998, the Partnership's capitalization was $18,934,681, and the Net Asset Value of a Unit sold as of July 16, 1990 for $100 was $189.19.

ML&Co. guarantees that the Net Asset Value per Unit will equal at least $150.06 as of September 30, 1999 (the "Principal Assurance Date"). The initial Principal Assurance Date was set at five years after trading commenced. Effective October 1, 1995, the Fund restarted its trading program for a new Time Horizon of two years' duration. A third Time Horizon, also two years in length, was begun as of October 1, 1997. This guarantee does not prevent substantial investor losses, but rather serves only as a form of "stop loss," limiting the maximum loss which investors who retain their Units until the Principal Assurance Date can incur. In order to protect ML&Co. from any liability under its guarantee, at such time, if any, as the Net Asset Value per Unit were to decline to 110% or less of the present value of the guaranteed minimum Net Asset Value per Unit discounted back from the current Principal Assurance Date, MLIP would terminate trading altogether in order to ensure that ML&Co. incurred no financial obligation to the Fund under ML&Co.'s guarantee of the minimum Net Asset Value per Unit.

Through December 31, 1998, the highest month-end Net Asset Value per Unit was $199.62 (February 27, 1997) and the lowest was $102.26 (July 31, 1990).

(b) Financial Information about Segments:

The Partnership's business constitutes only one segment for financial reporting purposes, i.e., a speculative "commodity pool." The Partnership does not engage in sales of goods or services.

(c) Narrative Description of Business:

GENERAL

The Fund trades (currently, through its investment in MM LLC) in futures, options on futures, forwards and options on forward contracts in major sectors of the world economy, with the objective of achieving substantial capital appreciation over time, while assuring investors of at least a predetermined minimum Net Asset per Unit as of the Principal Assurance Date.

The General Partner is the Partnership's trading manager, with responsibility for selecting Advisors to manage MM LLC's assets, allocating and reallocating MM LLC assets among different Advisors and determining the percentage of the Partnership's assets to be invested in MM LLC from time to time.

Although considered as a whole, the Partnership (currently, through an investment in MM LLC) trades in a diversified range of international markets.

Certain of the Trading Advisors, considered individually, concentrate primarily on trading in a limited portfolio of markets. The composition of the "sectors" included in the Partnership's portfolio varies substantially over time.

MLIP may, from time to time, direct certain individual Advisors to manage their Fund accounts as if they were managing more equity than the actual capital allocated to them.

One of the objectives of the Fund is to provide diversification for a limited portion of the risk segment of the Limited Partners' portfolios. Commodity pool performance has historically demonstrated a low degree of performance correlation with traditional stock and bond holdings. Since it began trading, the Fund's returns have, in fact, frequently been significantly non-correlated (not, however, negatively correlated) with the United States stock and bond markets.

ML&CO.'S "PRINCIPAL PROTECTION" UNDERTAKING TO THE FUND

ML&Co., the parent company of the Merrill Lynch organization, which includes the General Partner and the Commodity Broker, has agreed to contribute sufficient capital to the Partnership so that it will have adequate funds, after adjustment for all liabilities to third parties, that the Net Asset Value per Unit will be no less than $150.06 as of the third Principal Assurance Date (September 30, 1999). This guarantee, which is effective only as of the Principal Assurance Date, is a guarantee only of the minimum assured Net Asset Value, (plus distributions, if any), not against the loss of the use of time value of such investment or a guarantee of profit. This guarantee is a general, unsecured obligation of ML&Co.

OPERATION OF THE PARTNERSHIP AFTER THE THIRD PRINCIPAL ASSURANCE DATE

When the Fund reached its first Principal Assurance Date, MLIP "restarted" the Fund's trading program and the ML&Co. guarantee for a two-year period ending September 30, 1997. As of October 1, 1997, MLIP again "restarted" the Fund's trading program and the ML&Co. guarantee for an additional two-year period ending September 30, 1999. MLIP may determine to dissolve the Partnership as of the current Principal Assurance Date (September 30, 1999), to extend the ML&Co. guarantee for a certain period of time (again resetting the minimum Net Asset Value per Unit guaranteed by ML&Co.) or to continue to operate the Fund without a "principal protection" feature. All investors will be given notice by no later than August 15, 1999 as to what the operation of the Fund (if any) will be after the current Principal Assurance Date.

USE OF PROCEEDS AND INTEREST INCOME

Market Sectors. The Partnership (currently, through an investment in MM LLC) trades in a diversified group of markets under the direction of multiple independent Advisors. These Advisors can, and do, from time to time materially alter the allocation of their overall trading commitments among different market sectors. Except in the case of certain trading programs which are purposefully limited in the markets which they trade, there is essentially no restriction on the commodity interests which may be traded by any Advisor or the rapidity with which an Advisor may alter its market sector allocations.

The Fund's financial statements contain information relating to the market sectors traded by the Fund. There can, however, be no assurance as to which markets may be included in the Fund's portfolio or in which market sectors the Fund's trading may be concentrated at any one time or over time.

Market Types. The Fund trades (currently, through its investment in MM LLC) on a variety of United States and foreign futures exchanges. Substantially all of the Fund's off-exchange trading takes place in the highly liquid, institutionally-based currency forward markets.

Many of the Partnership's currency trades are executed in the spot and forward foreign exchange markets (the "FX Markets") where there are no direct execution costs. Instead, the participants, banks and dealers, including Merrill Lynch International Bank ("MLIB"), in the FX Markets take a "spread" between the prices at which they are prepared to buy and sell a particular currency and such spreads are built into the pricing of the spot or forward contracts with the Partnership. The General Partner anticipates that some of the Partnership's foreign currency trades will be executed through MLIB, an affiliate of the General Partner. MLIB has discontinued the operation of the foreign exchange service desk, which included seeking multiple quotes from counterparties unrelated to MLIB for a service fee and trade execution.

In its exchange of futures for physical ("EFP") trading, the Partnership acquires cash currency positions through banks and dealers, including Merrill Lynch. The Partnership pays a spread when it exchanges these positions for futures. This spread reflects, in part, the different settlement dates of the cash and the futures contracts, as well as prevailing interest rates, but also includes a pricing spread in favor of the banks and dealers, which may include a Merrill Lynch entity.

As in the case of its market sector allocations, the Fund's commitments to different types of markets -- U.S. and non-U.S., regulated and unregulated --differ substantially from time to time as well as over time.

The Fund's financial statements contain information relating to the types of markets traded by the Fund. There can, however, be no assurance as to which markets the Fund may trade or as to how the Fund's trading may be concentrated at any one time or over time.

Custody of Assets. The majority of the Fund's assets are currently held in customer accounts at Merrill Lynch.

Interest paid by Merrill Lynch on the Fund's U.S. Dollar and Non U.S. Dollar Assets A majority of the Fund's U.S. dollar assets are maintained at MLF. On assets held in U.S. dollars, Merrill Lynch credits the Fund with interest at the prevailing 91-day U.S. Treasury bill rate. The Fund is credited with interest on any of its net gains actually held by Merrill Lynch in non-U.S. dollar currencies at a prevailing local rate received by Merrill Lynch. Merrill Lynch may derive certain economic benefit, in excess of the interest which Merrill Lynch pays to the Fund, from possession of such assets.

Merrill Lynch charges the Fund Merrill Lynch's cost of financing realized and unrealized losses on the Fund's non-U.S. dollar-denominated positions.

CHARGES

The following table summarizes the charges incurred by the Fund during 1998, 1997 and 1996.

	1998		1997		1996	
Changes	Dollar Amount	% of Average Month-End Net Assets	Dollar Amount	% of Average Month-End Net Assets	Dollar Amount	% of Average Month-End Net Assets
Brokerage Commissions	$662,247	3.05%	$1,936,603	6.75%	$2,636,241	8.21%
Administrative Fees	18,921	0.09%	55,331	0.19%	75,321	0.23%
Profit Shares	147,262	0.68%	158,988	0.56%	457,989	1.43%
Total	$828,430	3.82%	$2,150,922	7.50%	$3,169,551	9.87%

Subsequent to October 1, 1996, Brokerage Commissions, Administrative Fees and Profit Shares are not representative of the actual amounts paid by the Fund, because the Fund paid the bulk of these fees as an investor in the Trading LLCs or MM LLC. See "Description of Current Charges."

The foregoing table does not reflect the bid-ask spreads paid by the Fund on its forward trading, or the annual benefits which may be derived by Merrill Lynch from the deposit of certain of the Fund's U.S. dollar assets in offset accounts.

The Fund's average month-end Net Assets during 1998, 1997 and 1996 equaled $21,720,057, $28,696,419 and $32,095,064, respectively.

During 1998, 1997 and 1996, the Fund earned $396,925, $1,118,910 and $1,364,326 in interest income, or approximately 1.83%, 3.90% and 4.25% of the Fund's average month-end Net Assets.

Effective January 1, 1996, the 9.0% per annum Brokerage Commissions paid by the Fund to MLF were recharacterized as 8.75% per annum Brokerage Commissions and a 0.25% per annum Administrative Fee paid by the Fund to MLIP. This recharacterization had no economic effect on the Fund.

DESCRIPTION OF CURRENT CHARGES

RECIPIENT	NATURE OF PAYMENT	AMOUNT OF PAYMENT
MLF	Brokerage Commissions	A flat-rate monthly commission of 0.729 of 1% (a 8.75% annual rate) of the Fund's month-end assets allocated to trading. As of December 31, 1998, 100% of the Fund's assets were allocated to trading. During 1998, 1997 and 1996, the round-turn (each purchase and sale or sale and purchase of a single futures contract) equivalent rate of the Fund's flat-rate Brokerage Com missions was approximately $69, $114 and $118, respectively.
MLF	Use of Fund assets	Merrill Lynch may derive an annual benefit from the deposit of certain of the Fund's U.S. dollar assets in offset accounts.
MLIP	Administrative Fees	The Fund pays MLIP a monthly Administrative Fee equal to 0.020833 of 1% of the Fund's month-end assets committed to trading (0.25% annually). MLIP pays all of the Fund's routine administrative costs.
MLIB; Other Counterparties	Bid-ask spreads	Bid-ask spreads on forward and related trades.
Trading Advisors	Profit Shares	Prior to January 1, 1997, all Advisors received quarterly Profit Shares ranging from 15% to 25% (depending on the Trading Advisor) of any New Trading Profit achieved by their Fund account. As of January 1, 1998, a number of Advisors agreed to receive only annual Profit Shares. Profit Shares are also paid upon redemption of Units and upon the net reallocation of assets away from an Advisor. New Trading Profit is calculated separately in respect of each Advisor, irrespective of the overall performance of the Fund. The Fund and MM LLC may pay substantial Profit Shares during periods when it is incurring significant overall losses.
Trading Advisors	Consulting Fees	MLF pays the Trading Advisors annual Consulting Fees ranging up to 4% of the Partnership's average month-end assets allocated to them for management, after reduction for a portion of the brokerage commissions .

MLF; Others	Extraordinary expenses	Actual costs incurred; none paid to date.

REGULATION

The General Partner, the Trading Advisors and the Commodity Broker are each subject to regulation by the Commodity Futures Trading Commission, (the "CFTC") and the National Futures Association. Other than in respect of its periodic reporting requirements under the Securities Exchange Act of 1934, the Partnership itself is generally not subject to regulation by the Securities and Exchange Commission. However, MLIP itself is registered as an "investment adviser" under the Investment Advisers Act of 1940.

(i) through (xii) -- not applicable.

(xiii) The Partnership has no employees.

(d) Financial Information about Foreign and Domestic Operations and Export Sales:

The Partnership trades, through its investment in MM LLC, on a number of foreign commodity exchanges. The Partnership does not engage in the sales of goods or services.

ITEM 2: PROPERTIES

The Partnership does not use any physical properties in the conduct of its business.

The Partnership's only place of business is the place of business of the General Partner, Merrill Lynch World Headquarters, World Financial Center, South Tower, New York, New York, 10080. The General Partner performs all administrative services for the Partnership from the General Partner's offices.

ITEM 3: LEGAL PROCEEDINGS

ML&Co. -- the sole stockholder of Merrill Lynch Group, Inc. (which is the sole stockholder of MLIP) -- as well as certain of its subsidiaries and affiliates have been named as defendants in civil actions, arbitration proceedings and claims arising out of their respective business activities. Although the ultimate outcome of these actions cannot be predicted at this time and the results of legal proceedings cannot be predicted with certainty, it is the opinion of management that the result of these matters will not be materially adverse to the business operations of financial condition of MLIP or the Fund.

MLIP itself has never been the subject of any material litigation.

ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Partnership has never submitted any matter to a vote of its Limited Partners.

PART II

ITEM 5: MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Item 5(a)

(a) Market Information:

There is no trading market for the Units, nor will one develop. Rather, Limited Partners may redeem Units as of the end of each month at Net Asset Value. Units redeemed prior to the applicable Principal Assurance Date are not entitled to any benefits under the ML&Co. guarantee.

(b) Holders:

As of December 31, 1998, there were 1,273 holders of Units, including the General Partner.

(c) Dividends:

The Partnership has made no distributions, nor does the General Partner presently intend to make any distributions in the future.

Item 5(b)

Not applicable.

ITEM 6: SELECTED FINANCIAL DATA

The following selected financial data has been derived from the audited financial statements of the Partnership:

STATEMENT OF OPERATIONS	FOR THE YEAR ENDED DECEMBER 31, 1998	FOR THE YEAR ENDED DECEMBER 31, 1997	FOR THE YEAR ENDED DECEMBER 31, 1996	FOR THE YEAR ENDED DECEMBER 31, 1995	FOR THE YEAR ENDED DECEMBER 31, 1994
Revenues:					
Trading (Loss) Profit:					
Realized (Loss) Gain	$ (520,547)	$ (100,337)	$3,756,114	$10,514,336	$(1,230,908)
Change in Unrealized (Loss) Gain	(703,331)	105,173	(284,224)	(1,160,384)	(504,496)
Total Trading Results	(1,223,878)	4,836	3,471,890	9,353,952	(1,735,404)
Interest Income	396,925	1,118,910	1,364,326	1,954,622	1,793,843
Total Revenues	(826,953)	1,123,746	4,836,216	11,308,574	58,439
Expenses:					
Brokerage Commissions	662,247	1,936,603	2,636,241	3,480,701	4,498,435
Administrative Fees	18,921	55,331	75,321	-	-
Profit Shares	147,262	158,988	457,989	1,084,170	529,654
Total Expenses	828,430	2,150,922	3,169,551	4,564,871	5,028,089
Income from Investments	675,414	968,354	2,032,587	-	-
Net (Loss) Income	$ (979,969)	$ (58,822)	$3,699,252	$ 6,743,703	$(4,969,650)

BALANCE SHEET DATA	DECEMBER 31, 1998	DECEMBER 31, 1997	DECEMBER 31, 1996	DECEMBER 31, 1995	DECEMBER 31, 1994
Fund Net Asset Value	$18,934,681	$26,576,283	$31,949,032	$34,684,047	$41,096,545
Net Asset Value per Unit	$ 189.19	$ 194.53	$ 194.47	$ 173.02	$ 145.09

The variations in income statement line items are primarily due to investing in Trading LLCs and in MM LLC.

MONTH-END NET ASSET VALUE PER UNIT

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1994	$152.94	$147.23	$150.83	$147.70	$152.86	$156.40	$155.52	$150.29	$152.71	$150.36	$149.40	$145.09
1995	$143.16	$151.75	$158.05	$161.56	$161.66	$158.32	$157.85	$163.55	$167.25	$167.26	$170.88	$173.02
1996	$181.96	$170.88	$173.16	$175.80	$173.86	$176.00	$171.33	$175.62	$177.79	$185.94	$195.14	$194.47

1997	$198.92	$199.62	$198.24	$192.04	$184.00	$184.90	$196.21	$184.18	$187.57	$186.07	$188.49	$194.53
1998	$190.87	$188.05	$184.76	$174.28	$174.87	$175.08	$175.33	$184.91	$188.86	$188.27	$188.44	$189.19

</TABLE>

Pursuant to CFTC policy, monthly performance is presented only from January 1, 1994 even though Units were outstanding prior to such date.

THE S.E.C.T.O.R. STRATEGY FUND (SM) L.P.
December 31, 1998

TYPE OF POOL: SELECTED-ADVISOR/PUBLICLY-OFFERED/"PRINCIPAL PROTECTED"(1)
INCEPTION OF TRADING: July 16, 1990
AGGREGATE SUBSCRIPTIONS: $125,853,001
CURRENT CAPITALIZATION: $18,934,681
WORST MONTHLY DRAWDOWN/(2)/: (6.13)% (8/97)
WORST PEAK-TO-VALLEY DRAWDOWN/(3)/: (12.70)% (3/97-4/98)

Net Asset Value per Unit, December 31, 1998: $189.19

<TABLE>
<CAPTION>

MONTHLY RATES OF RETURN/(4)/

MONTH	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
January	(1.88)%	2.29%	5.17%	(1.33)%	(4.39)%
February	(1.48)	0.35	(6.09)	6.00	(3.73)
March	(1.75)	(0.69)	1.33	4.15	2.44
April	(5.67)	(3.13)	1.53	2.22	(2.08)
May	0.34	(4.19)	(1.11)	0.06	3.50
June	0.12	0.49	1.23	(2.07)	2.32
July	0.14	6.12	(2.65)	(0.30)	(0.57)
August	5.46	(6.13)	2.50	3.61	(3.36)
September	2.14	1.84	1.24	2.26	1.61
October	(0.31)	(0.80)	4.58	0.01	(1.54)
November	0.09	1.30	4.95	2.16	(0.64)
December	0.40	3.20	(0.35)	1.25	(2.89)
Compound Annual Rate of Return	(2.74)%	0.03%	12.40%	19.25%	(9.29)%

</TABLE>

(1) Pursuant to applicable CFTC regulations, a "Multi-Advisor" fund is defined as one that allocates no more than 25% of its trading assets (i.e., assets committed to trading) to any single manager. As the Fund may allocate more than 25% of its trading assets to one or more Advisors, it is referred to as a "Selected-Advisor" fund. Applicable CFTC regulations define a "Principal Protected" fund as one which is designed to limit the loss of participants' initial investment. MLIP's trading leverage policies and the ML&Co. guarantee limit Limited Partners' losses on their Units to the time value of their investments over the Time Horizon from the beginning of trading to the Principal Assurance Date.

(2) Worst Monthly Drawdown represents the largest negative Monthly Rate of Return experienced since January 1, 1994 by the Fund; a drawdown on is measured on the basis of month-end Net Asset Value only, and does not reflect intra-month figures.

(3) Worst Peak-to-Valley Drawdown represents the greatest percentage decline since January 1, 1994 from a month-end cumulative Monthly Rate of Return without such cumulative Monthly Rate of Return being equaled or exceeded as of a subsequent month-end. For example, if the Monthly Rate of Return was (1)% in each of January and February, 1% in March and (2)% in April,

the Peak-to-Valley Drawdown would still be continuing at the end of April in the amount of approximately (3)%, whereas if the Monthly Rate of Return had been approximately 3% in March, the Peak-to-Valley Drawdown would have ended as of the end of February at approximately the (2)% level.

(4) Monthly Rate of Return is the net performance of the Fund during the month of determination (including interest income and after all expenses have been accrued or paid) divided by the total equity of the Fund as of the beginning of such month.

ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Advisor Selections

The Fund's results of operations depend on MLIP's ability to select Advisors and the Advisors' ability to trade profitably. MLIP's selection procedures and trading leveraging analysis, as well as the Advisors' trading methods, are confidential, so that substantially the only available information relevant to the Fund's results of operations is its actual performance record to date. Because of the speculative nature of its trading, the Fund's past performance is not necessarily indicative of its future results.

MLIP has made and expects to continue making frequent changes to both trading asset allocations among Advisors and Advisor combinations as well as from time to time adjusting the percentage of the Fund's assets committed to trading.

MLIP's decision to terminate or reallocate assets among Advisors is based on a combination of numerous factors. Advisors are, in general, terminated primarily for unsatisfactory performance, but other factors -- for example, a change in MLIP's or an Advisor's market outlook, apparent deviation from announced risk control policies, excessive turnover of positions, changes in principals, commitment of resources to other business activities, etc. -- may also have a role in the termination or reallocation decision. The market judgment and experience of MLIP's principals is an important factor in its asset allocation decisions.

MLIP has no timetable or schedule for making Advisor changes or reallocations, and generally makes a medium- to long-term commitment to all Advisors selected. There can be no assurance as to the frequency or number of Advisor changes that may take place in the future, or as to how long any of the current Advisors will continue to manage assets for the Fund.

General

A number of the Advisors are trend-following traders, whose programs do not attempt to predict price movements. No fundamental economic supply or demand analyses are used by these Advisors, and no macroeconomic assessments of the relative strengths of different national economies or economic sectors. Instead, the programs apply proprietary computer models to analyzing past market data, and from this data alone attempt to determine whether market prices are trending. These technical traders base their strategies on the theory that market prices reflect the collective judgment of numerous different traders and are, accordingly, the best and most efficient indication of market movements. However, there are frequent periods during which fundamental factors external to the market dominate prices.

If a trend-following Advisor's models identify a trend, they signal positions which follow it. When these models identify the trend as having ended or reversed, these positions are either closed out or reversed. Due to their trend-following character, these Advisors' programs do not predict either the commencement or the end of a price movement. Rather, their objective is to identify a trend early enough to profit from it and detect its end or reversal in time to close out the Fund's positions while retaining most of the profits made from following the trend.

In analyzing the performance of trend-following programs, economic conditions, political events, weather factors, etc., are not directly relevant because only market data has any input into trading results. Furthermore, there is no direct connection between particular market conditions and price trends. There are so many influences on the markets that the same general type of economic event may lead to a price trend in some cases but not in others. The analysis is further complicated by the fact that the programs are designed to recognize only certain types of trends and to apply only certain criteria of when a trend has begun. Consequently, even though significant price trends may occur, if these trends are not comprised of the type of intra-period price movements which the programs are designed to identify, a trend-following Advisor may miss the trend altogether.

In the case of the Advisors which implement strategies which rely more on discretion and market judgment, it is not possible to predict, from their performance during past market cycles, how they will respond to future market events.

Performance Summary

This performance summary is an outline description of how the Fund performed in the past, not necessarily any indication of how it will perform in the future. In addition, the general causes to which certain price movements are attributed may or may not in fact have caused such movements, but simply occurred at or about the same time.

The Advisors, as a group, are unlikely to be profitable in markets in which such trends do not occur. Static or erratic prices are likely to result in losses. Similarly, unexpected events (for example, a political upheaval, natural disaster or governmental intervention) can lead to major short-term losses as well as gains.

While there can be no assurance that any Advisor will be profitable, under any given market condition, markets in which substantial and sustained price movements occur typically offer the best profit potential for the Fund.

The performance of the Fund is also materially affected by the percentage of its assets allocated to trading. The greater the percentage of the Fund's assets allocated to trading, the greater its profit potential, risk and performance volatility

1998

	Total Trading Results
Interest Rates and Stock Indices	$ 46,962
Commodities	262,150
Currencies	65,904
Energy	(1,390,575)
Metals	(208,319)
	$(1,223,878)

Global interest rate markets provided the Fund with its most profitable positions for the first quarter, particularly in European bonds where an extended bond market rally continued despite an environment of robust growth in the United States, Canada and the United Kingdom, as well as a strong pick-up in growth in continental Europe. In the second quarter, swings in the U.S. dollar and developments in Japan affected bond markets, causing the Fund's interest rate trading to result in losses. This was turned around in the third quarter, as markets worldwide were turned upside down and the Fund's non-correlation with general equity and debt markets was strongly exhibited, and trading was particularly profitable in positions in Eurodollars, German and Japanese bonds, and U.S. Treasury notes and bonds. Global investors staged a major flight to quality, resulting in a significant widening of credit spreads on a global basis. In October, investors pushed the yields on U.S. Treasury bonds to a 31-year low. The long bond yield fell about 75 basis points in 1998 as the world economy slowed more than expected, inflation continued to fall, the anticipated small U.S. budget deficit turned into substantial surplus, and the Fed lowered interest rates.

In currency markets, results early in the year were unprofitable. During the second quarter, strong gains were realized in positions in the Japanese yen, which weakened during June to an eight-year low versus the U.S. dollar. Significant gains from Japanese yen trading continued into the third quarter, and Japan's problems spread to other sectors of the global economy, causing commodities prices to decline as demand from the Asian economies weakened. Japan's deepening recession and credit crunch continued through the fourth quarter, and the Fund achieved gains from long yen positions.

Trading results in stock index markets were also mixed in early 1998, despite a strong first-quarter performance by the U.S. equity market as several consecutive weekly gains were recorded with most market averages setting new highs. Second quarter results were profitable as the Asia-Pacific region's equity markets weakened across the board. In particular, Hong Kong's Hang Seng index trended downward during most of the second quarter and traded at a three-year low. As U.S. equity markets declined in July and August, the Fund profited from short positions in the

S&P 500, most notably during August, when the index dropped 14.5%. Volatility in September made for a difficult trading environment in the stock index sector, and the Fund incurred modest losses, although results remained profitable for the quarter and the year overall in these markets

In agricultural commodity markets, 1998 began with strong gains as live cattle and hog prices trended downward throughout the first quarter. In the second quarter, although the U.S. soybean crop got off to a good start which contributed to higher yield expectations and a more burdensome supply outlook, soybean prices traded in a volatile pattern. Sugar futures maintained mostly a downtrend, as no major buyers emerged to support the market. Similarly, coffee prices trended downward, as good weather conditions in Central America and Mexico increased the prospects of more output from these countries. The third quarter resulted in losses as the U.S. soybean crop increased relative to the USDA's production estimate as a result of timely rains, which contributed to lower prices. These losses continued into the fourth quarter as the Fund was caught on the short side of the soybean complex, as the soybean supply surplus became more manageable following the November 10th USDA reports, causing prices to gain upward momentum.

Gold prices began the year drifting sideways, and continued to weaken following news in the second quarter of a European Central Bank consensus that ten to fifteen percent of reserves should be made up of gold bullion, which was at the low end of expectations. Gold was unable to extend third quarter rallies or to build any significant upside momentum, resulting in a trendless environment. This was also the case in the fourth quarter, as gold's cost of production declined. Also, silver markets remained range-bound, while also experiencing a significant selloff in November, and aluminum traded at its lowest levels since 1994, with many aluminum smelters operating at a loss.

In energy markets, demand for crude oil in the Middle East was affected by low oil prices early in the year, and trading resulted in losses. Initially buoyed on concerns about a U.S.-led military strike against Iraq, crude oil fell to a nine-year low, as the globally warm winter, the return of Iraq as a producer and the Asian economic crisis added to OPEC's supply glut problems. Despite production cuts initiated by OPEC at the end of March, world oil supplies remained excessive and oil prices stood at relatively low levels throughout the first half of 1998. Short heating oil positions in the third quarter proved profitable for the Fund as the market for heating oil prices dropped to its lowest level in more than a decade. In early December, oil and natural gas prices dropped sharply, causing continued problems for many emerging market countries that depend on commodity exports for economic growth and government financing. These price pressures were mainly due to excessive supply availability and near-term weather indications that inventories would remain at more than adequate levels even in the event of a cold Northern Hemisphere winter. Also, the December U.S. air attack on Iraq failed to cause any damage to oil pumping and shipping operations, and oil prices fell over 10%.

1997

	Total Trading Results
Interest Rates and Stock Indices	$ (30,260)
Commodities	(265,231)
Currencies	1,301,214
Energy	(950,072)
Metals	(50,815)
	$ 4,836

Trend reversals and extreme market volatility, affected by such factors as the Asian flu and El Nino, were characteristic of most of 1997. However, the year proved to be a profitable one overall for the Fund as trends in several key markets enabled the Trading Advisors to profit despite the significant obstacles. Although trading results in several sectors may have been lackluster, the global currency and bond markets offered noteworthy trading opportunities, which resulted in significant profits in these markets during the year. Additionally, the currency and interest rate sectors of the Fund's portfolio represented its largest percentage of market commitments.

In currency markets, the U.S. dollar rallied and started 1997 on a strong note, rising to a four-year high versus the Japanese yen and two-and-a-half year highs versus the Deutsche mark and the Swiss franc. However, the dollar underwent two significant corrections during the year. The first correction occurred in the Spring against the Japanese yen, due to the G7 finance ministers' determination that a further dollar advance would be counter-productive

to their current goals. From August through mid-November, the dollar corrected against the Eurocurrencies in advance of a well-advertised tightening by the Bundesbank. By mid-December the dollar had bounced back to new highs against the yen and was rallying against the mark.

Global interest rate markets began the year on a volatile note, as investors evaluated economic data for signs of inflation. By the middle of the year, economic data in key countries was positive indicating lower inflation and igniting a worldwide rally in the bond markets. Specifically, investor sentiment was particularly strong in the U.S., where prices on the 30-year Treasury bond and 10-year Treasury note rose to their highest levels in over two years. This followed a largely positive economic report delivered by Federal Reserve Chairman Greenspan in testimony before Congress. Effects of the plunge in the Hong Kong stock market in late October spread rapidly throughout the world's financial markets, including global bond markets. After continued volatility in subsequent months made trading difficult, 1997 interest rate trading ended on a positive note when U.S. and Japanese bond markets rallied as a flight to safety from plunging stock markets around the world occurred in December.

In energy markets, a slump in crude oil prices was characteristic of its lackluster performance from the beginning of the year. Early in 1997, volatility returned in the energy markets, reflecting the impact of a winter significantly warmer than normal. By mid-year, the decline in prices reversed sharply as Saudi Arabia and Iran, together representing about 45% of OPEC's oil production, joined forces to pressure oil-producing nations to stay within OPEC production quotas. In December, financial and economic problems in Asia reduced demand for oil, and, in combination with ample supplies, resulted in crude oil prices declining once again.

<TABLE>
<CAPTION>
1996

<S>	Total Trading Results <C>
Interest Rates and Stock Indices	$ 42,816
Commodities	693,244
Currencies	1,306,971
Energy	1,265,776
Metals	163,083

	$ 3,471,890
	===========

</TABLE>

1996 began with the East Coast blizzard, continuing difficulties in federal budget talks and an economic slowdown having a negative impact on many markets. The Fund was profitable in January due to strong profits in currency trading as the U.S. dollar reached a 23-month high against the Japanese yen. In February, however, the Fund incurred its worst monthly loss due to the sudden reversals in several strong price trends and considerable volatility in the currency and financial markets. During March, large profits were taken in the crude oil and gasoline markets as strong demand continued and talks between the United Nations and Iraq were suspended. This trend continued into the second quarter, during which strong gains were also recognized in the agricultural markets as a combination of drought and excessive rain drove wheat and grain prices to historic highs. In the late summer and early fall months, the Fund continued to trade profitably as trending prices in a number of key markets favorably impacted the Fund's performance. In September heating oil hit a five-year high on soaring prices in Europe, and the Fund was also able to capitalize on downward trends in the metals markets. Strong trends in the currency and global bond markets produced significant gains in October and November, but the year ended with declining performance as December witnessed the reversal of several strong upward trends and increased volatility in key markets.

Variables Affecting Performance

The principal variables which determine the net performance of the Fund are gross profitability and interest income. Gross profitability is, in turn, affected by the percentage of the Fund's assets allocated to trading.

During all periods set forth under "Selected Financial Data," the interest rates in many countries were at unusually low levels. The low interest rates in the United States (although higher than in many other countries) negatively impacted revenues because interest income is typically a major component of the Fund's profitability. In addition, low interest rates are frequently associated with reduced fixed income market volatility, and in static markets the Fund's profit potential generally tends to be diminished. On the other hand, during periods of higher interest rates, the relative attractiveness of a high risk investment such as the Fund may be reduced as compared to high yielding and much lower risk fixed-income investments.

The Fund's Brokerage Commissions and Administrative Fees are a constant percentage of the Fund's assets allocated to trading. The only Fund costs (other than the insignificant currency trading costs) which are not based on a percentage of the Fund's assets (allocated to trading or total) are the Profit Shares payable to the Advisors on an Advisor-by-Advisor basis. Gross profitability is in turn, affected by the percentages of the Fund's assets allocated to trading. During periods when Profit Shares are a high percentage of net trading gains, it is likely that there has been substantial performance non-correlation among the Advisors (so that the total Profit Shares paid to those Advisors which have traded profitably are a high percentage, or perhaps even in excess, of the total profits recognized, as other Advisors have incurred offsetting losses, reducing overall trading gains but not the Profit Shares paid to the successful Advisors) -- suggesting the likelihood of generally trendless, non-consensus markets.

Unlike many investment fields, there is no meaningful distinction in the operation of the Fund between realized and unrealized profits. Most of the contracts traded by the Fund are highly liquid and can be closed out at any time.

Except in unusual circumstances, factors -- regulatory approvals, cost of goods sold, employee relations and the like -- which often materially affect an operating business have virtually no impact on the Fund.

LIQUIDITY; CAPITAL RESOURCES

The Fund borrows only to a limited extent and only on a strictly short-term basis in order to finance losses on non-U.S. dollar denominated trading positions pending the conversion of the Fund's dollar deposits. These borrowings are at a prevailing short-term rate in the relevant currency. They have been immaterial to the Fund's operation to date and are expected to continue to be so.

Substantially all of the Fund's assets are held in cash. The Net Asset Value of the Fund's cash is not affected by inflation. However, changes in interest rates could cause periods of strong up or down price trends, during which the Fund's profit potential generally increases. Inflation in commodity prices could also generate price movements which the strategies might successfully follow.

Substantially all of the Fund's assets are held in cash. Accordingly, except in very unusual circumstances, the Fund should be able to close out any or all of its open trading positions and liquidate any or all of its securities holdings quickly and at market prices. This permits an Advisor to limit losses as well as reduce market exposure on short notice should its strategies indicate doing so. In addition, because there is a readily available market value for the Fund's positions and assets, the Fund's monthly Net Asset Value calculations are precise, and investors need only wait 10 business days to receive the full redemption proceeds of their Units.

YEAR 2000 COMPLIANCE INITIATIVE

As the millennium approaches, Merrill Lynch has undertaken initiatives to address the Year 2000 problem (the "Y2K problem"). The Y2K problem is the result of a widespread programming technique that causes computer systems to identify a date based on the last two numbers of a year, with the assumption that the first two numbers of the year are "19". As a result, the year 2000 would be stored as "00," causing computers to incorrectly interpret the year as 1900. Left uncorrected, the Y2K problem may cause information technology systems (e.g., computer databases) and non-information technology systems (e.g., elevators) to produce incorrect data or cease operating completely.

Merrill Lynch believes that it has identified and evaluated its internal Y2K problem and that it is devoting sufficient resources to renovating technology systems that are not already Year 2000 compliant. The resource-intensive renovation phase (as further discussed) of Merrill Lynch's Year 2000 efforts was approximately 95% completed as of January 31, 1999. Merrill Lynch will focus primarily on completing its renovation and testing and on integration of the Year 2000 programs of recent acquisitions during the remainder of 1999. In order to focus attention on the Y2K problem, management has deferred certain other technology projects: however, this deferral is not expected to have a material adverse effect on the company's business, results of operations, or financial condition.

The failure of Merrill Lynch's technology systems relating to a Y2K problem would likely have a material adverse effect on the company's business, results of operations, and financial condition. This effect could include disruption of normal business transactions, such as the settlement, execution, processing, and recording of trades in securities, commodities, currencies, and other assets. The Y2K problem could also increase Merrill Lynch's exposure to risk and its need for liquidity.

In 1995, Merrill Lynch established the Year 2000 Compliance Initiative, which is an enterprisewide effort to address the risks associated with the Y2K problem, both internal and external. The Year 2000 Compliance Initiative's efforts to address the risks associated with the Y2K problem have been organized into six phases: planning, pre-renovation, renovation, production testing, certification, and integration testing.

The planning phase involved defining the scope of the Year 2000 Compliance Initiative, including its annual budget and strategy, and determining the level of expert knowledge available within Merrill Lynch regarding particular systems or applications. The pre-renovation phase involved developing a detailed enterprisewide inventory of applications and systems, identifying the scope of necessary renovations to each application system, and establishing a conversion schedule. During the renovation phase, source code is actually converted, date fields are expanded or windowed (windowing is used on an exception basis only), test data is prepared, and each system or application is tested using a variety of Year 2000 scenarios. The production testing phase validates that a renovated system is functionally the same as the existing production version, that renovation has not introduced defects, and that expanded or windowed date fields continue to handle current dates properly. The certification phase validates that a system can run successfully in a Year 2000 environment. The integration testing phase, which will occur throughout 1999, validates that a system can successfully interface with both internal and external systems. Finally, as Merrill Lynch continues to implement new systems, they are also being tested for Year 2000 readiness.

In 1996 and 1997, as part of the planning and pre-renovation phases, both plans and funding of plans for inventory, preparation, renovation, and testing of computer systems for the Y2K problem were approved. All plans for both mission-critical and non-mission-critical systems are tracked and monitored. The work associated with the Year 2000 Compliance Initiative has been accomplished by Merrill Lynch employees, with the assistance of consultants where necessary.

As part of the production testing and certification phases, Merrill Lynch has performed, and will continue to perform, both internal and external Year 2000 testing intended to address the risks from the Y2K problem. As of January 31, 1999, production testing was approximately 93% completed. In July 1998, Merrill Lynch participated in an industrywide Year 2000 systems test sponsored by the Securities Industry Association ("SIA"), in which selected firms tested their computer systems in mock stock trades that simulated dates in December 1999 and January 2000. Merrill Lynch will participate in further industrywide testing sponsored by the SIA, currently scheduled for March and April 1999, which will involve an expanded number of firms, transactions, and conditions. Merrill Lynch also

participated in various other domestic and international industry tests during 1998.

Merrill Lynch continues to survey and communicate with third parties whose Year 2000 readiness is important to the company. Information technology and non-information technology vendors and service providers are contacted in order to obtain their Year 2000 compliance plans. Based on the nature of the response and the importance of the product or service involved, Merrill Lynch determines if additional testing is needed. The results of these efforts are maintained in a database that is accessible throughout the firm. Third parties that have been contacted include transactional counterparties, exchanges, and clearinghouses; a process to access and rate their responses has been developed. This information as well as other Year 2000 readiness information on particular countries and their political subdivisions will be used by Merrill Lynch to manage risk resulting from the Y2K problem. Management is unable at this point to ascertain whether all significant third parties will successfully address the Y2K problem. Merrill Lynch will continue to monitor third parties' Year 2000 readiness to determine if additional or alternative measures are necessary. In connection with information technology and non-information technology products and services, contingency plans, which are developed at the business unit level, may include selection of alternative vendors or service providers and changing business practices so that a particular system is not needed. In the case of securities exchanges and clearinghouses, risk mitigation could include the re-routing of business. In light of the interdependency of the parties in or serving the financial markets, however, there can be no assurance that all Y2K problems will be identified and remediated on a timely basis or that all remediation will be successful. The failure of exchanges, clearing organizations, vendors, service providers, counterparties, regulators, or others to resolve their own processing issues in a timely manner could have a material adverse effect on Merrill Lynch's business, results of operations, and financial condition.

At year-end 1998, the total estimated expenditures for the entire Year 2000 Compliance Initiative were approximately $425 million, of which approximately $125 million was remaining. The majority of these remaining expenditures are expected to cover testing, risk management, and contingency planning. There can be no assurance that the costs associated with such remediation efforts will not exceed those currently anticipated by Merrill Lynch, or that the costs associated with the remediation efforts or the possible failure of such remediation efforts would not have a material adverse effect on Merrill Lynch's business, results of operations, or financial condition.

EUROPEAN ECONOMIC AND MONETARY UNION ("EMU") INITIATIVE

As of January 1, 1999, the "euro" was adopted as the common legal currency of participating member states of the EMU. As a consequence of the introduction of and conversion to the euro, Merrill Lynch was required to make significant changes to nearly 200 global business systems in order to reflect the substitution of the euro for the 11 member national currencies and the European currency unit. The introduction of the euro brings about fundamental changes in the structure and nature of European financial markets, including the creation of a unified, more liquid capital market in Europe. As financial markets in EMU member states converge and local barriers are removed, competition is expected to increase.

The introduction of the euro affects all Merrill Lynch facilities that transact, distribute, or provide custody or recordkeeping for securities or cash denominated in the currency of a participating member state. Merrill Lynch's systems or procedures that handle such securities or cash were modified in order to implement the conversion to the euro. The implementation phase is continuing into the first quarter of 1999 to resolve any post-conversion issues. The success of Merrill Lynch's euro conversion efforts was dependent on the euro-compliance of third parties, such as trading counterparties, financial intermediaries (e.g., securities and commodities exchanges, depositories, clearing organizations, and commercial banks), and vendors.

As of the end of the 1998 fiscal year, the total estimated expenditures associated with the introduction of and conversion to the euro were approximately $79 million, of which $1 million is remaining to be spent during the first quarter of 1999 on compliance efforts and project administration. Management believes that it has identified and evaluated all of the systems and operational modifications necessary for the conversion to the euro. On January 4, 1999 and since then, Merrill Lynch has conducted normal business operations, having successfully completed its conversion program. Management does not expect the introduction of the euro to have a negative effect on its future business, currency risk, or competitive positioning in the European markets.

ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements required by this Item are included in Exhibit 13.01.

The supplementary financial information ("selected quarterly financial data" and "information about oil and gas producing activities") specified by Item 302 of Regulation S-K is not applicable.

ITEM 9: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There were no changes in or disagreements with independent auditors on accounting or financial disclosure.

PART III

Item 10: Directors and Executive Officers of the Registrant (a,b) Identification of Directors and Executive Officers:

As a limited partnership, the Partnership itself has no officers or directors and is managed by the General Partner. Trading decisions are made by the Trading Advisors on behalf of the Partnership. The General Partner promotes the Fund and its controlling person.

The directors and executive officers of MLIP and their respective business backgrounds are as follows:

JOHN R. FRAWLEY, JR.	Chairman, Chief Executive Officer, President and Director
JEFFREY F. CHANDOR	Senior Vice President, Director of Sales, Marketing and Research and Director
JO ANN DI DARIO	Vice President, Chief Financial Officer and Treasurer, through April 30, 1999
MICHAEL L. PUNGELLO	Vice President, Chief Financial Officer and Treasurer, effective May 1, 1999
JOSEPH H. MOGLIA	Director
ALLEN N. JONES	Director
STEPHEN G. BODURTHA	Director
STEVEN B. OLGIN	Vice President, Secretary and Director of Administration

John R. Frawley, Jr. was born in 1943. Mr. Frawley is Chairman, Chief Executive Officer, President and a Director of MLIP and Co-Chairman of MLF. He joined Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") in 1966 and has served in various positions, including Retail and Institutional Sales, Manager of New York Institutional Sales, Director of Institutional Marketing, Senior Vice President of Merrill Lynch Capital Markets and Director of International Institutional Sales. Mr. Frawley holds a Bachelor of Science degree from Canisius College. Mr. Frawley served on the CFTC's Regulatory Coordination Advisory Committee from its formation in 1990 through its dissolution in 1994. Mr. Frawley has served four consecutive one-year terms as Chairman of the Managed Funds Association (formerly, the Managed Futures Association), a national trade association that represents the managed futures, hedge funds and fund of funds industry. Mr. Frawley currently serves as a member of the CFTC's Global Markets Advisory Committee.

Jeffrey F. Chandor was born in 1942. Mr. Chandor is Senior Vice President, Director of Sales, Marketing and Research and a Director of MLIP. He joined MLPF&S in 1971 and has served as the Product Manager of International Institutional Equities, Equity Derivatives and Mortgage-Backed Securities as well as Managing Director of International Sales in the United States, and Managing Director of Sales in Europe. Mr. Chandor holds a Bachelor of Arts degree from Trinity College, Hartford, Connecticut. Mr. Chandor is serving a two year term as a director of the Managed Funds Association.

Jo Ann Di Dario was born in 1946. Ms. Di Dario is, through April 30, 1999, Vice President, Chief Financial Officer and Treasurer of MLIP. Before joining MLIP in May 1998, she was self-employed for one year. From February 1996 to May 1997, she worked as a consultant for Global Asset Management, an international mutual fund organizer and operator headquartered in London, where she offered advice on restructuring their back-office operations. From May 1992 to January 1996, she served as a Vice President of Meridian Bank Corporation, a regional bank holding company. She was responsible for managing the treasury operations of Meridian Bank Corporation including its wholly-owned subsidiary, Meridian Investment Company Inc. From September 1991 to May 1992, Ms. Di Dario managed the Domestic Treasury Operations of First Fidelity Bank, a regional bank. From January 1991 to September 1991, Ms. Di Dario was self-employed. For the previous five years, Ms. Di Dario was Vice President, Secretary and Controller of Caxton Corporation, a Commodity Pool Operator and Commodity Trading Advisor. Her background includes seven years of public accounting experience, and she graduated with high honors from Stockton State College with a Bachelor of Science degree in Accounting.

Michael L. Pungello was born in 1957. Effective May 1, 1999, Mr. Pungello will become Vice President, Chief Financial Officer and Treasurer of MLIP. He was First Vice President and Senior Director of Finance for Merrill Lynch's Operations, Services and Technology Group from January 1998 to March 1999. Prior to that, Mr. Pungello spent over 18 years with Deloitte & Touche LLP, and was a partner in their Financial Services practice from June 1990 to

December 1997. He graduated from Fordham University in 1979 with a Bachelor of Science degree in accounting and received his Master of Business Administration degree in Finance from New York University in 1987.

Joseph H. Moglia was born in 1949. Mr. Moglia is a Director of MLIP. In 1971, he graduated from Fordham University with a Bachelor of Arts degree in Economics. He later received his Master of Science degree from the University of Delaware. He taught at the high school and college level for sixteen years. Mr. Moglia joined MLPF&S in 1984, and has served in a number of senior roles, including Director of New York Fixed Income Institutional Sales, Director of Global Fixed Income Institutional Sales, and Director of the Municipal Division. He is currently Senior Vice President and Director of the Investment Strategy and Product Group in Merrill Lynch Private Client, and Director of Middle Markets.

Allen N. Jones was born in 1942. Mr. Jones is a Director of MLIP and, from July 1995 until January 1998, Mr. Jones was also Chairman of the Board of Directors of MLIP. Mr. Jones graduated from the University of Arkansas with a Bachelor of Science, Business Administration degree in 1964. Since June 1992, Mr. Jones has held the position of Senior Vice President of MLPF&S. From June 1992 through February 1994, Mr. Jones was the President and Chief Executive Officer of Merrill Lynch Insurance Group, Inc. ("MLIG") and remains on the Board of Directors of MLIG and its subsidiary companies. From February 1994 to April 1997, Mr. Jones was the Director of Individual Financial Services of the Merrill Lynch Private Client Group. In April 1997, Mr. Jones became the Director of Private Client marketing.

Stephen G. Bodurtha was born in 1958. Mr. Bodurtha is a Director of MLIP. In 1980, Mr. Bodurtha graduated magna cum laude from Wesleyan University, Middletown, Connecticut with a Bachelor of Arts degree in Government. From 1980 to 1983, Mr. Bodurtha worked in the Investment Banking Division of Merrill Lynch. In 1985, he was awarded his Master of Business Administration degree from Harvard University, where he also served as Associates Fellow (1985 to 1986). From 1986 to 1989, Mr. Bodurtha held the positions of Associate and Vice President with Kidder, Peabody & Co., Incorporated where he worked in their Financial Futures & Options Group. Mr. Bodurtha joined MLPF&S in 1989 and has held the position of First Vice President since 1995. He has been the Director in charge of the Structured Investments Group of MLPF&S since 1995.

Steven B. Olgin was born in 1960. Mr. Olgin is Vice President, Secretary and the Director of Administration of MLIP. He joined MLIP in July 1994 and became a Vice President in July 1995. From 1986 until July 1994, Mr. Olgin was an associate of the law firm of Sidley & Austin. In 1982, Mr. Olgin graduated from The American University with a Bachelor of Science degree in Business Administration and a Bachelor of Arts degree in Economics. In 1986, he received his Juris Doctor degree from The John Marshall Law School. Mr. Olgin is a member of the Managed Funds Association's Government Relations Committee and has served as an arbitrator for the NFA. Mr. Olgin is also a member of the Committee on Futures Regulation of the Association of the Bar of the City of New York.

As of December 31, 1998, the principals of MLIP had no investment in the Fund, and MLIP's general partner interest in the Fund was valued at $222,668.

MLIP acts as general partner to twelve public futures funds whose units of limited partnership interest are registered under the Securities Exchange Act of 1934: The Futures Expansion Fund Limited Partnership, The Growth and Guarantee Fund L.P., ML Futures Investments II L.P., ML Futures Investments L.P., John W. Henry & Co./Millburn L.P., The S.E.C.T.O.R. Strategy Fund (SM) II L.P., The S.E.C.T.O.R. Strategy Fund (SM) V L.P., The S.E.C.T.O.R. Strategy Fund (SM) VI L.P., ML Global Horizons L.P., ML Principal Protection L.P. , ML JWH Strategic Allocation Fund L.P. and the Fund. Because MLIP serves as the sole general partner of each of these funds, the officers and directors of MLIP effectively manage them as officers and directors of such funds.

(c) Identification of Certain Significant Employees:

None.

(d) Family Relationships:

None.

(e) Business Experience:

See Item 10(a)(b) above.

(f) Involvement in Certain Legal Proceedings:

None.

(g) Promoters and Control Persons:

Not applicable.

ITEM 11: EXECUTIVE COMPENSATION

The directors and officers of the General Partner are remunerated by the General Partner. The Partnership does not itself have any officers, directors or employees. The Partnership pays Brokerage Commissions to an affiliate of the General Partner and Administrative Fees to the General Partner. The General Partner or its affiliates may also receive certain economic benefits from holding the Fund's dollar available assets. The directors and officers receive no "other compensation" from the Partnership, and the directors receive no compensation for serving as directors of the General Partner. There are no compensation plans or arrangements relating to a change in control of either the Partnership or the General Partner.

ITEM 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) Security Ownership of Certain Beneficial Owners:

As of December 31, 1998, no person or "group" is known to be or have been the beneficial owner of more than 5% of the Units.

(b) Security Ownership of Management:

As of December 31, 1998, the General Partner owned 1,177 Units (unit-equivalent general partnership interests), which was less than 1.2% of the total Units outstanding.

(c) Changes in Control:

None.

ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

(a) Transactions Between Merrill Lynch and the Fund

All of the service providers to the Fund, other than the Advisors, are affiliates of Merrill Lynch. Merrill Lynch negotiated with the Advisors over the level of its advisory fees and Profit Share. However, none of the fees paid by the Fund to any Merrill Lynch party were negotiated, and they are higher than would have been obtained in arm's-length bargaining.

The Fund pays Merrill Lynch substantial Brokerage Commissions and Administrative Fees as well as bid-ask spreads on forward currency trades. The Fund also pays MLF interest on short-term loans extended by MLF to cover losses on foreign currency positions.

Within the Merrill Lynch organization, MLIP is the direct beneficiary of the revenues received by different Merrill Lynch entities from the Fund. MLIP controls the management of the Fund and serves as its promoter. Although MLIP has not sold any assets, directly or indirectly, to the Fund, MLIP makes substantial profits from the Fund due to the foregoing revenues.

No loans have been, are or will be outstanding between MLIP or any of its principals and the Fund.

MLIP pays substantial selling commissions and trailing commissions to MLPF&S for distributing the Units. MLIP is ultimately paid back for these expenditures from the revenues it receives from the Fund.

(b) Certain Business Relationships:

MLF, an affiliate of the General Partner, acts as the principal commodity broker for the Partnership.

In 1998 the Partnership expensed: (i) Brokerage Commissions of $662,247 to the Commodity Broker, which included $114,382 in consulting fees earned by the Trading Advisors, and (ii) Administrative Fees of $18,921 to MLIP. Through its investments in Trading LLCs and MM LLC, the following fees were expensed: (i) Brokerage Commissions of $1,284,931 to the Commodity Broker, which included consulting fees earned by the Trading Advisors of $245,250; and (ii) Administrative Fees of $36,713 to MLIP. In addition, MLIP and its affiliates may have derived certain economic benefits from possession of the Fund's assets, as well as from foreign exchange and EFP trading.

See Item 1(c), "Narrative Description of Business -- Charges" and "Description of Current Charges" for a discussion of other business dealings between MLIP affiliates and the Partnership.

(c) Indebtedness of Management:

The Partnership is prohibited from making any loans, to management or otherwise.

(d) Transactions with Promoters:

Not applicable.

PART IV

ITEM 14: EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a)1. Financial Statements:

	Page
Independent Auditors' Report	1
Statements of Financial Condition as of December 31, 1998 and 1997	2
For the years ended December 31, 1998, 1997 and 1996	
Statements of Income	3
Statements of Changes in Partners' Capital	4
Notes to Financial Statements	5-14

(a)2. Financial Statement Schedules:

Financial statement schedules not included in this Form 10-K have been omitted for the reason that they are not required or are not applicable or that equivalent information has been included in the financial statements or notes thereto.

(a)3. Exhibits:

The following exhibits are incorporated by reference or are filed herewith to this Annual Report on Form 10-K:

Designation	Description
3.01(i)	Amended and Restated Certificate of Limited Partnership of the Registrant, dated July 27, 1995.
Exhibit 3.01(i):	Is incorporated herein by reference from Exhibit 3.01(d) contained in the Registrant's report on Form 10-Q for the Quarter Ended June 30, 1995.
3.01(ii)	Limited Partnership Agreement of the Partnership.
Exhibit 3.01(ii):	Is incorporated herein by reference from Exhibit 3.01(a) contained in Amendment No. 1 (as Exhibit A) to the Registration Statement (File No. 33-34432) filed on May 25, 1990 on Form S-1 under the Securities Act of 1933 (the "Registrant's Registration Statement").
10.01(o)	Form of Advisory Agreement between the Partnership, Merrill Lynch Investment Partners Inc., Merrill Lynch Futures Inc. and each Trading Advisor.
Exhibit 10.01(o):	Is incorporated herein by reference from Exhibit

10.01(o) contained in the Registrant's report on Form 10-Q for the Quarter Ended June 30, 1995.

10.02(a)	Form of Consulting Agreement between each Trading Advisor of the Partnership and Merrill Lynch Futures Inc.
Exhibit 10.02(a):	Is incorporated herein by reference from Exhibit 10.02(a) contained in the Registrant's Registration Statement.
10.03(a)	Form of Customer Agreement between the Partnership and Merrill Lynch Futures Inc.

Exhibit 10.03(a):	Is incorporated herein by reference from Exhibit 10.03(a) contained in the Registrant's Registration Statement.
10.05	Merrill Lynch & Co., Inc. Guarantee.
Exhibit 10.05:	Is incorporated herein by reference from Exhibit 10.05 contained in the Registrant's Registration Statement.
10.06	Foreign Exchange Desk Service Agreement among Merrill Lynch Investment Bank, Merrill Lynch Investment Partners Inc., Merrill Lynch Futures Inc. and the Fund.
Exhibit 10.06:	Is incorporated herein by reference from Exhibit 10.06 contained in the Registrant's report on Form 10-K for the year ended December 31, 1996.
10.07(a)	Form of Advisory and Consulting Agreement Amendment among Merrill Lynch Investment Partners Inc., each Advisor, the Fund and Merrill Lynch Futures Inc.
Exhibit 10.07(a):	Is incorporated herein by reference from Exhibit 10.07(a) contained in the Registrant's report on Form 10-K for the year ended December 31, 1996.
10.07(b)	Form of Amendment to the Customer Agreement among the Partnership and MLF.
Exhibit 10.07(b):	Is incorporated herein by reference from Exhibit 10.07(b) contained in the Registrant's report on Form 10-K for the year ended December 31, 1996.
13.01	1998 Annual Report and Independent Auditors' Report.
Exhibit 13.01:	Is filed herewith.
13.01(a)	1998 Annual Reports and Independent Auditors' Reports for the following Trading Limited Liability Companies sponsored by Merrill Lynch Investment Partners Inc.: ML Millburn Global LLC ML Sjo Prospect LLC ML Chesapeake Diversified LLC ML JWH Financial and Metals Portfolio LLC ML Multi-Manager Portfolio LLC
Exhibit 13.01(a):	Is filed herewith.
28.01	Prospectus of the Partnership dated June 1, 1990.
Exhibit 28.01:	Is incorporated by reference as filed with the Securities and Exchange Commission pursuant to Rule 424 under the Securities Act of 1933 (File No. 33-34432) filed on June 7, 1990.

(b) Report on Form 8-K:

No reports on Form 8-K were filed during the fourth quarter of 1998.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE S.E.C.T.O.R. STRATEGY FUND (SM) L.P.
(Safety of Equity Capital; Targeting Overall Return)

By: MERRILL LYNCH INVESTMENT PARTNERS INC.
General Partner

By: /s/ John R. Frawley, Jr.
John R. Frawley, Jr.
Chairman, Chief Executive Officer, President and Director
(Principal Executive Officer)

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this report has been signed on March 25, 1999 by the following persons on behalf of the Registrant and in the capacities indicated.

<TABLE>
<CAPTION>

Signature	Title	Date
<S>	<C>	<C>
/s/ John R. Frawley, Jr.	Chairman, Chief Executive Officer, President and Director	March 25, 1999
John R. Frawley, Jr.	(Principal Executive Officer)	
/s/ Jo Ann Di Dario	Vice President, Chief Financial Officer, and Treasurer	March 25, 1999
Jo Ann Di Dario	(Principal Financial and Accounting Officer)	
/s/ Jeffrey F. Chandor	Senior Vice President, Director of Sales,	March 25, 1999
Jeffrey F. Chandor	Marketing and Research, and Director	
/s/ Allen N. Jones	Director	March 25, 1999
Allen N. Jones		

</TABLE>

(Being the principal executive officer, the principal financial and accounting officer and a majority of the directors of Merrill Lynch Investment Partners Inc.)

MERRILL LYNCH INVESTMENT PARTNERS INC. General Partner of Registrant March 25, 1999

By: /s/ John R. Frawley, Jr.
John R. Frawley, Jr.

THE S.E.C.T.O.R. STRATEGY FUND (SM) L.P.

1998 FORM 10-K

INDEX TO EXHIBITS

Exhibit

Exhibit 13.01 1998 Annual Report and Independent Auditors' Report

Exhibit 13.01(a) 1998 Annual Reports and Independent Auditors' Reports for the following Trading Limited Liability Companies sponsored by Merrill Lynch Investment Partners Inc.:
ML Millburn Global LLC
ML Sjo Prospect LLC
ML Chesapeake Diversified LLC
ML JWH Financial and Metals Portfolio LLC
ML Multi-Manager Portfolio LLC

EXHIBIT 13.1

The S.E.C.T.O.R. STRATEGY FUND(SM) L.P.
(A Delaware Limited Partnership)

Financial Statements for the years ended
December 31, 1998, 1997 and 1996
and Independent Auditors' Report

[LOGO] Merrill Lynch

To: The Limited Partners of The S.E.C.T.O.R. Strategy Fund(SM) L.P.

The S.E.C.T.O.R. Strategy Fund(SM) L.P. (the "Fund" or the "Partnership") ended its ninth fiscal year of trading on December 31, 1998 with a Net Asset Value ("NAV") per Unit of $189.19, representing a decrease of 2.75% from the December 31, 1997 NAV per Unit of $194.53. During 1998, trading profits were generated in the interest rate, currency, stock index and agricultural markets while losses were incurred in energy and agriculture trading.

Global interest rate markets provided the Fund with its most profitable positions for the first quarter, particularly in European bonds where an extended bond market rally continued despite an environment of robust growth in the United States, Canada and the United Kingdom, as well as a strong pick-up in growth in continental Europe. In the second quarter, swings in the U.S. dollar and developments in Japan affected bond markets, causing the Fund's interest rate trading to result in losses. This was turned around in the third quarter, as markets worldwide were turned upside down and the Fund's non-correlation with general equity and debt markets was strongly exhibited, and trading was particularly profitable in positions in Eurodollars, German and Japanese bonds, and U.S. Treasury notes and bonds. Global investors staged a major flight to quality, resulting in a significant widening of credit spreads on a global basis. In October, investors pushed the yields on U.S. Treasury bonds to a 31-year low. The long bond yield fell about 75 basis points in 1998 as the world economy slowed more than expected, inflation continued to fall, the anticipated small U.S. budget deficit turned into substantial surplus, and the Federal Reserve lowered interest rates.

In currency markets, results early in the year were unprofitable. During the second quarter, strong gains were realized in positions in the Japanese yen, which weakened during June to an eight-year low versus the U.S. dollar. Significant gains from Japanese yen trading continued into the third quarter, and Japan's problems spread to other sectors of the global economy, causing commodities prices to decline as demand from the Asian economies weakened. Japan's deepening recession and credit crunch continued through the fourth quarter, and the Fund achieved gains from long yen positions.

Trading results in stock index markets were also mixed in early 1998, despite a strong first-quarter performance by the U.S. equity market as several consecutive weekly gains were recorded with most market averages setting new highs. Second quarter results were profitable as the Asia-Pacific region's equity markets weakened across the board. In particular, Hong Kong's Hang Seng index trended downward during most of the second quarter and traded at a three-year low. As U.S. equity markets declined in July and August, the Fund profited from short positions in the S&P 500, most notably during August, when the index dropped 14.5%. Volatility in September made for a difficult trading environment in the stock index sector, and the Fund incurred modest losses, although results remained profitable for the quarter and the year overall in these markets

In agricultural commodity markets, 1998 began with strong gains as live cattle and hog prices trended downward throughout the first quarter. In the second quarter, although the U.S. soybean crop got off to a good start which contributed to higher yield expectations and a more burdensome supply outlook, soybean prices traded in a volatile pattern. Sugar futures maintained mostly a downtrend, as no major buyers emerged to support the market. Similarly, coffee prices trended downward, as good weather conditions in Central America and

Mexico increased the prospects of more output from these countries. The third quarter resulted in losses as the U.S. soybean crop

increased relative to the USDA's production estimate as a result of timely rains, which contributed to lower prices. These losses continued into the fourth quarter as the Fund was caught on the short side of the soybean complex, as the soybean supply surplus became more manageable following the November 10th USDA reports, causing prices to gain upward momentum.

Gold prices began the year drifting sideways, and continued to weaken following news in the second quarter of a European Central Bank consensus that ten to fifteen percent of reserves should be made up of gold bullion, which was at the low end of expectations. Gold was unable to extend third quarter rallies or to build any significant upside momentum, resulting in a trendless environment. This was also the case in the fourth quarter, as gold's cost of production declined. Also, silver markets remained range-bound, while also experiencing a significant selloff in November, and aluminum traded at its lowest levels since 1994, with many aluminum smelters operating at a loss.

In energy markets, demand for crude oil in the Middle East was affected by low oil prices early in the year, and trading resulted in losses. Initially buoyed on concerns about a U.S.-led military strike against Iraq, crude oil fell to a nine-year low, as the globally warm winter, the return of Iraq as a producer and the Asian economic crisis added to OPEC's supply glut problems. Despite production cuts initiated by OPEC at the end of March, world oil supplies remained excessive and oil prices stood at relatively low levels throughout the first half of 1998. Short heating oil positions in the third quarter proved profitable for the Fund as the market for heating oil prices dropped to its lowest level in more than a decade. In early December, oil and natural gas prices dropped sharply, causing continued problems for many emerging market countries that depend on commodity exports for economic growth and government financing. These price pressures were mainly due to excessive supply availability and near-term weather indications that inventories would remain at more than adequate levels even in the event of a cold Northern Hemisphere winter. Also, the December U.S. air attack on Iraq failed to cause any damage to oil pumping and shipping operations, and oil prices fell over 10%.

1998 was a year of unprecedented volatility in key global markets. We look forward to 1999 and the opportunities it may present.

Sincerely,
John R. Frawley, Jr.
President
Merrill Lynch Investment Partners Inc.
(General Partner)

FUTURES TRADING IS SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK. PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

THE S.E.C.T.O.R. STRATEGY FUND(SM) L.P.
(A Delaware Limited Partnership)

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996:	
Statements of Financial Condition	2
Statements of Operations	3
Statements of Changes in Partners' Capital	4

INDEPENDENT AUDITORS' REPORT

To the Partners of
The S.E.C.T.O.R. Strategy Fund(SM) L.P.:

We have audited the accompanying statements of financial condition of The S.E.C.T.O.R. Strategy Fund(SM) L.P. (the "Partnership") as of December 31, 1998 and 1997, and the related statements of operations and of changes in partners' capital for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of The S.E.C.T.O.R. Strategy Fund(SM) L.P. as of December 31, 1998 and 1997, and the results of its operations for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

New York, New York
February 4, 1999

THE S.E.C.T.O.R. STRATEGY FUND(SM) L.P.
(A Delaware Limited Partnership)

STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 1998 AND 1997

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
ASSETS		
Equity in commodity futures trading accounts:		
Cash and option premiums (Note 1)	$ --	$ 19,393,407
Net unrealized profit on open contracts (Note 1)	--	703,331
Accrued interest (Note 2)	--	88,083
Investments (Note 6)	18,934,681	6,996,472
Receivable from investments (Note 6)	528,786	162,042
TOTAL	$ 19,463,467	$ 27,343,335
LIABILITIES AND PARTNERS' CAPITAL		
LIABILITIES:		
Brokerage commissions payable (Note 2)	$ --	$ 147,339
Profit Shares payable (Note 3)	--	83,463
Administrative fees payable (Note 2)	--	4,210
Redemptions payable	528,786	532,040

Total liabilities	528,786	767,052
PARTNERS' CAPITAL:		
General Partner (1,177 Units and 2,518 Units)	222,668	489,837
Limited Partners (98,908 Units and 134,097 Units)	18,712,013	26,086,446
Total partners' capital	18,934,681	26,576,283
TOTAL	$ 19,463,467	$ 27,343,335
NET ASSET VALUE PER UNIT (Based on 100,085 and 136,615 Units outstanding)	$189.19	$194.53

</TABLE>

See notes to financial statements

THE S.E.C.T.O.R. STRATEGY FUND(SM) L.P.
(A Delaware Limited Partnership)

STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

<TABLE>
<CAPTION>

<S>	<C> 1998	<C> 1997	<C> 1996
REVENUES:			
Trading (loss) profit:			
Realized (Note 1)	$ (520,547)	$ (100,337)	$3,756,114
Change in unrealized (Note 1)	(703,331)	105,173	(284,224)
Total trading results	(1,223,878)	4,836	3,471,890
Interest income (Note 2)	396,925	1,118,910	1,364,326
Total revenues	(826,953)	1,123,746	4,836,216
EXPENSES:			
Brokerage commissions (Note 2)	662,247	1,936,603	2,636,241
Profit Shares (Note 3)	147,262	158,988	457,989
Administrative fees (Note 2)	18,921	55,331	75,321
Total expenses	828,430	2,150,922	3,169,551
INCOME FROM INVESTMENTS (Note 6)	675,414	968,354	2,032,587
NET (LOSS) INCOME	$ (979,969)	$ (58,822)	$3,699,252
NET (LOSS) INCOME PER UNIT:			
Weighted average number of General Partner and Limited Partner Units outstanding (Note 4)	119,711	151,089	181,635
Net (loss) income per weighted average General Partner and Limited Partner Unit	$ (8.19)	$ (0.39)	$ 20.37

</TABLE>
See notes to financial statements.

THE S.E.C.T.O.R. STRATEGY FUND(SM) L.P.
(A Delaware Limited Partnerhsip)

STATEMENTS OF CHANGES IN PARTNERS' CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

<TABLE>
<CAPTION>

<S>	Units of Partnership Interest <C>	Limited Partners <C>	General Partner <C>	Total <C>
PARTNERS' CAPITAL DECEMBER 31, 1995	200,460	34,248,684	435,363	34,684,047
Redemptions	(36,171)	(6,434,267)	-	(6,434,267)
Net income	-	3,644,943	54,309	3,699,252
PARTNERS' CAPITAL DECEMBER 31, 1996	164,289	31,459,360	489,672	31,949,032
Redemptions	(27,674)	(5,313,927)	-	(5,313,927)
Net (loss) income	-	(58,987)	165	(58,822)
PARTNERS' CAPITAL DECEMBER 31, 1997	136,615	26,086,446	489,837	26,576,283
Redemptions	(36,530)	(6,427,111)	(234,522)	(6,661,633)
Net loss	-	(947,322)	(32,647)	(979,969)
PARTNERS' CAPITAL DECEMBER 31, 1998	100,085	18,712,013	222,668	18,934,681

</TABLE>

See notes to financial statements

THE S.E.C.T.O.R. STRATEGY FUND(SM) L.P.
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The S.E.C.T.O.R. Strategy Fund(SM) L.P. (the "Partnership") was organized under the Delaware Revised Uniform Limited Partnership Act on April 30, 1990 and commenced trading activities on July 16, 1990. The Partnership engages (currently, through an investment in a limited liability company (see below)) in the speculative trading of futures, options on futures, forwards and options on forward contracts on a wide range of commodities. Merrill Lynch Investment Partners Inc. ("MLIP" or the "General Partner"), a wholly-owned subsidiary of Merrill Lynch Group, Inc., which, in turn, is a wholly-owned subsidiary of Merrill Lynch & Co., Inc. ("Merrill Lynch"), is the general partner of the Partnership. Merrill Lynch Futures Inc. ("MLF"), a Merrill Lynch affiliate, is the Partnership's commodity broker. A portion of the Partnership's assets is held by a commodity broker, other than MLF, to facilitate the trading of a certain independent advisor, subject to an arrangement recognized by the General Partner. The General Partner has agreed to maintain a general partner's interest of at least 1% of the total capital of the Partnership. The General Partner and each Limited Partner share in the profits and losses of the Partnership in proportion to their respective interests in it.

Many of the multi-advisor funds (the "Multi-Advisor Funds") sponsored by MLIP allocate their assets to a number of the same independent advisors (the "Advisors" or the "Trading Advisors"). However, because different Multi-Advisor Funds had historically allocated assets to slightly different Advisor groups, the Multi-Advisor Funds often were required to open and maintain individual trading accounts with each Advisor. MLIP consolidated the trading accounts of nine of its Multi-Advisor Funds (including the Partnership) as of June 1, 1998. The consolidation was achieved by having these Multi-Advisor Funds close their existing trading accounts and invest in a limited liability company, ML Multi-Manager Portfolio L.L.C. ("MM LLC"), a Delaware limited liability company, which opened a single account with each Advisor selected. MM LLC is managed by MLIP, has no investors other than the Multi-Advisor Funds and serves solely as the vehicle through which the assets of such Multi-Advisor Funds are combined in order to be managed through single rather than multiple accounts. The placement of assets into MM LLC did not change the operations or fee structure of the Partnership; therefore, the following notes relate to the operation of the Partnership through its investment in MM LLC. The administrative authority over the Partnership remains with MLIP. MLIP, on an ongoing basis, may change the number of Multi-Advisor Funds investing in MM LLC.

MLIP selects the Advisors to manage MM LLC's assets, and allocates and reallocates such trading assets among existing, replacement and additional Advisors.

MLIP determines what percentage of the Partnership's total capital to invest in MM LLC from time to time, attempting to balance the desirability of reducing the opportunity costs of the Partnership's "principal protection" structure by investing 100% of the Partnership's assets in MM LLC against the necessity of preventing Merrill Lynch from ever being required to make any payments to the Partnership under the Merrill Lynch guarantee (See Note 5).

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Commodity futures, options on futures, forwards and options on forward contracts are recorded on the trade date, and open contracts are reflected in net unrealized profit on open contracts in the Statements of Financial Condition at the difference between the original contract value and the market value (for those commodity interests for which market quotations are readily available) or at fair value. The change in unrealized (loss) profit on open contracts from one period to the next is reflected in change in unrealized in the Statements of Operations. (As a result of the investment in MM LLC, there were no open contracts as of December 31, 1998.)

Foreign Currency Transactions

The Partnership's functional currency is the U.S. dollar; however, it transacts business in currencies other than the U.S. dollar. Assets and liabilities denominated in currencies other than the U.S. dollar are translated into U.S. dollars at the rates in effect at the dates of the Statements of Financial Condition. Income and expense items denominated in currencies other than the U.S. dollar are translated into U.S. dollars at the rates in effect during the period. Gains and losses resulting from the translation to U.S. dollars are reported in total trading results currently.

Operating Expenses

MLIP pays for all routine operating costs (including legal, accounting, printing, postage and similar administrative expenses) of the Partnership. MLIP receives an administrative fee as well as a portion of the brokerage commissions paid to MLF by the Partnership.

Income Taxes

No provision for income taxes has been made in the accompanying financial statements as each Partner is individually responsible for reporting income or loss based on such Partner's respective share of the Partnership's income and expenses as reported for income tax purposes.

Distributions

The Unitholders are entitled to receive, equally per Unit, any distribution which may be made by the Partnership. No such distributions had been made as of December 31, 1998.

Redemptions

A Limited Partner may require the Partnership to redeem some or all of such Partner's Units at Net Asset Value as of the close of business on the last business day of any month upon ten calendar days' notice.

Dissolution of the Partnership

The Partnership will terminate on December 31, 2010 or at an earlier date if certain conditions occur, as well as under certain other circumstances as set forth in the Limited Partnership Agreement.

Recently Issued Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting standard No. 133, "Accounting for Derivative Instruments and Hedging Activities" (the "Statement"). Such Statement is effective for fiscal years commencing after June 15, 1999. The General Partner does not believe that the Statement will have a significant effect on the financial statements of the Partnership.

2. RELATED PARTY TRANSACTIONS

The majority of the Partnership's U.S. dollar assets are maintained at MLF. On assets held in U.S. dollars, Merrill Lynch credits the Partnership with interest at the prevailing 91-day U.S. Treasury bill rate. The Partnership is credited with interest on any of its net gains actually held by Merrill Lynch in non-U.S. dollar currencies at a prevailing local rate received by Merrill Lynch. Merrill Lynch may derive certain economic benefit, in excess of the interest which Merrill Lynch pays to the Partnership, from possession of such assets.

Merrill Lynch charges the Partnership Merrill Lynch's cost of financing realized and unrealized losses on the Partnership's non-U.S. dollar-denominated positions.

The General Partner determined that there may have been a miscalculation in the interest credited to the Partnership for a period prior to November 1996 (such period may extend prior to that covered by these financial statements). Accordingly, the General Partner credited current and former investors who maintained a Merrill Lynch customer account in December 1997 with interest which was compounded. Former investors who do not maintain a Merrill Lynch customer account have been credited as their response forms are processed. The total amount of the adjustment was approximately $2,891,000. Since this amount was paid directly to investors by the General Partner, it is not reflected in these financial statements. The General Partner determined that interest was calculated appropriately since November 1996.

Prior to January 1, 1996, the Partnership paid brokerage commissions to MLF at a flat monthly rate equal to .75 of 1% (a 9% annual rate) of the Partnership's month-end assets allocated to trading. Effective January 1, 1996, the percentage was reduced to .729 of 1% (an 8.75% annual rate), and the Partnership began to pay MLIP a monthly administrative fee of .021 of 1% (a .25% annual rate) of the Partnership's month-end assets allocated to trading (this recharacterization had no economic effect on the Partnership). Assets allocated to trading are not reduced, for purposes of calculating brokerage commissions and administrative fees, by any accrued brokerage commissions, administrative fees, Profit Shares or other fees or charges.

The General Partner estimates that the round-turn equivalent commission rate charged to the Partnership during the years ended December 31, 1998, 1997 and 1996 was approximately $69, $114 and $118, respectively (not including, in calculating round-turn equivalents, forward contracts on a futures-equivalent basis).

MLF pays the Trading Advisors annual Consulting Fees ranging up to 4% of the Partnership's average month-end assets allocated to them for management, after reduction for a portion of the brokerage commissions.

Many of the Partnership's currency trades are executed in the spot and forward foreign exchange markets (the "FX Markets") where there are no direct execution costs. Instead, the participants, banks and dealers, including Merrill Lynch International Bank ("MLIB"), in the FX Markets take a "spread" between the prices at which they are prepared to buy and sell a particular currency and such spreads are built into the pricing of the spot or forward contracts with the Partnership. The General Partner anticipates that some of the Partnership's foreign currency trades will be executed through MLIB, an affiliate of the General Partner. MLIB has discontinued the operation of the foreign exchange service desk, which included seeking multiple quotes from counterparties unrelated to MLIB for a service fee and trade execution.

In its exchange of futures for physical ("EFP") trading, the Partnership acquires cash currency positions through banks and dealers, including Merrill Lynch. The Partnership pays a spread when it exchanges these positions for futures. This spread reflects, in part, the different settlement dates of the cash and the futures contracts, as well as prevailing interest rates, but also includes a pricing spread in favor of the banks and dealers, which may include a Merrill Lynch entity.

3. AGREEMENTS

Pursuant to the Advisory Agreements among the Advisors, the Partnership and MLIP, the Advisors determined the commodity futures, options on futures, forwards and options on forward contracts traded on behalf of the Partnership, subject to certain rights reserved by the General Partner. The Advisory Agreements generally terminate one year after they are entered into, subject to certain renewal rights exercisable by the Partnership.

In the case of the Trading LLCs, as defined in Note 6, the Trading LLCs entered into the Advisory Agreements with the Advisors.

In the case of MM LLC, as defined in Note 1, MM LLC has entered into the current Advisory Agreements with the Advisors.

Profit Shares, generally ranging from 15% to 25% of any New Trading Profit, as defined, recognized by each Advisor considered individually irrespective of the overall performance of the Partnership, either as of the end of each calendar quarter or year and upon the reallocation of assets away from an Advisor were paid by the Partnership or the Trading LLCs and are currently paid by MM LLC to each Advisor. Profit Shares are also paid out in respect of

Units redeemed as of the end of interim months, to the extent of the applicable percentage of any New Trading Profit attributable to such Units.

4. WEIGHTED AVERAGE UNITS

The weighted average number of Units outstanding was computed for purposes of disclosing net income or loss per weighted average Unit. The weighted average number of Units outstanding at December 31, 1998, 1997 and 1996 equals the Units outstanding, as of such date, adjusted proportionately for Units redeemed based on the respective length of time each was outstanding during the year.

5. MERRILL LYNCH & CO., INC. GUARANTEE

Merrill Lynch has guaranteed to the Partnership that it will have sufficient Net Assets as of the Principal Assurance Date that the Net Asset Value per Unit as of such Principal Assurance Date will equal, after adjustment for all liabilities to third parties, not less than the minimum assured Net Asset Value per Unit. Effective October 1, 1997, the Partnership restarted its trading program for an additional Time Horizon of two years' duration and a new Principal Assurance Date of September 30, 1999, with a minimum assured Net Asset Value per Unit of $150.06.

6. INVESTMENTS

Prior to investing in MM LLC, the Partnership placed assets under the management of certain of the Advisors by investing in private limited liability companies ("Trading LLCs") formed by the General Partner. The only members of the Trading LLCs were commodity pools sponsored by the General Partner. Each Trading LLC traded under the management of a single Advisor pursuant to a single strategy and at a uniform degree of leverage. Placing assets with an Advisor through a Trading LLC rather than a managed account had no economic effect on the Partnership, except to the extent that the Partnership benefited from the Advisor not having to allocate trades among a number of different accounts (rather than acquiring a single position for the Trading LLC as a whole).

The investments in Trading LLCs and MM LLC are reflected in the financial statements at fair value based upon the Partnership's interest in each Trading LLC and MM LLC. Fair value is equal to the market value of the net assets of the Trading LLCs and of MM LLC allocable to the Partnership as an investor. The resulting difference between cost and fair value is reflected on the Statements of Operations as income from investments.

As of December 31, 1998, the Partnership had an investment in MM LLC in the amount of $18,934,681 and as of December 31, 1997, the Partnership had an investment in the ML JWH Financial and Metals Portfolio L.L.C. ("JWH LLC") of $6,996,472.

During the second quarter of 1998, the Partnership withdrew its investment in JWH LLC.

Total revenues and fees with respect to such investments were as follows:

<TABLE>
<CAPTION>

For the year ended December 31, 1998	Total Revenues	Brokerage Commissions	Administrative Fees	Profit Shares	(Loss) Income from Investments
<S>	<C>	<C>	<C>	<C>	<C>
JWH LLC	$ (700,366)	$ 224,055	$ 6,402	$ --	$ (930,823)
MM LLC	3,184,157	1,060,876	30,311	486,733	1,606,237
Total	$2,483,791	$1,284,931	$ 36,713	$ 486,733	$ 675,414

For the year ended	Total	Brokerage	Administrative	Profit	Income from

December 31, 1997	Revenues	Commissions	Fees	Shares	Investments
JWH LLC	$1,710,140	$ 614,361	$ 17,552	$ 109,873	$ 968,354

For the year ended December 31, 1996	Total Revenues	Brokerage Commissions	Administrative Fees	Profit Shares	Income from Investments
JWH LLC	$2,622,561	$ 244,376	$ 6,982	$ 338,616	$2,032,587

</TABLE>

Condensed statements of financial condition and statements of income for MM LLC and JWH LLC are set forth as follows:

	MM LLC December 31, 1998	JWH LLC December 31, 1997	JWH LLC
Assets	$ 125,332,558	$ 65,048,564	
Liabilities	$ 4,949,082	$ 3,689,658	
Members' Capital	120,383,476	61,358,906	
Total	$ 125,332,558	$ 65,048,564	

<TABLE>
<CAPTION>

<S>	<C> For the period from June 1, 1998 to December 31, 1998	<C> For the period from For the year ended December 31, 1997	<C> October 1, 1996 to December 31, 1996
Revenues	$ 19,255,343	$ 15,279,401	$ 19,365,949
Expenses	9,491,842	6,714,041	4,426,261
Net Income	$ 9,763,501	$ 8,565,360	$ 14,939,688

</TABLE>

-10-

7. FAIR VALUE AND OFF-BALANCE SHEET RISK

As of June 1, 1998, the Partnership invested all of its assets in MM LLC. Accordingly, the Partnership invested indirectly in derivative instruments, but does not itself hold any derivative instrument positions. Consequently, no such positions subsequent to May 31, 1998 are reflected in these financial statements or in this Note 7.

The Partnership traded futures, options on futures, forwards and options on forward contracts in interest rates, stock indices, commodities, currencies, energy and metals. The Partnership's total trading results by reporting category for the period from January 1, 1998 to May 31, 1998 and for the years ended December 31, 1997 and 1996 (during 1998, 1997 and 1996, a portion of the Partnership's trading was done through Trading LLCs and is not, accordingly, reflected below) were as follows:

	Total Trading Results		
	1998	1997	1996
Interest Rates and Stock Indices	$ 46,962	$ (30,260)	$ 42,816
Commodities	262,150	(265,231)	693,244
Currencies	65,904	1,301,214	1,306,971

Energy	(1,390,575)	(950,072)	1,265,776
Metals	(208,319)	(50,815)	163,083
	$(1,223,878)	$ 4,836	$3,471,890

Market Risk

Derivative instruments involve varying degrees of off-balance sheet market risk, and changes in the level or volatility of interest rates, foreign currency exchange rates or the market values of the financial instruments or commodities underlying such derivative instruments frequently result in changes in the Partnership's net unrealized profit on such derivative instruments as reflected in the Statements of Financial Condition or, with respect to Partnership assets invested in Trading LLCs and in MM LLC, the net unrealized profit as reflected in the respective Statements of Financial Condition of the Trading LLCs and MM LLC. The Partnership's exposure to market risk is influenced by a number of factors, including the relationships among the derivative instruments held by the Partnership, the Trading LLCs and currently MM LLC, as well as the volatility and liquidity of the markets in which such derivative instruments are traded.

The General Partner has procedures in place intended to control market risk exposure, although there can be no assurance that they will, in fact, succeed in doing so. These procedures focus primarily on monitoring the trading of the Advisors selected from time to time for the Partnership or MM LLC, adjusting the percentage of the Partnership's, the Trading LLC's or MM LLC's total assets allocated to trading, calculating the Net Asset Value of the Advisors' respective Partnership accounts and Trading LLC accounts or currently MM LLC accounts as of the close of business on each day and reviewing outstanding positions for over-concentrations both on an Advisor-by-Advisor and on an overall Partnership basis. While the General Partner does not itself intervene in the markets to hedge or diversify the Partnership's market exposure (although the General Partner does adjust the percentage of the Partnership's total assets allocated to trading), the General Partner may urge Advisors to reallocate positions, or itself reallocate Partnership assets among Advisors (although typically only as of the end of a month) in an attempt to avoid over-concentration. However, such interventions are unusual. Except in cases in which it appears that an Advisor has begun to

deviate from past practice or trading policies or to be trading erratically, the General Partner's basic risk control procedures consist simply of the ongoing process of Advisor monitoring and selection, with the market risk controls being applied by the Advisors themselves.

One important aspect of the General Partner's risk controls is its adjustments to the leverage at which the Partnership trades. By controlling the percentage of the Partnership's assets allocated to trading, the General Partner can directly affect the market exposure of the Partnership. Leverage control is the principal means by which the General Partner hopes to be able to ensure that Merrill Lynch is never required to make any payments under its guarantee that the Net Asset Value per Unit will equal no less than a specified minimum as of the Principal Assurance Date.

Fair Value

The derivative instruments traded by the Partnership were marked to market daily with the resulting net unrealized profit recorded in the Statements of Financial Condition and the related (loss) profit reflected in trading results in the Statements of Operations.

The contract/notional values of open contracts as of December 31, 1997 were as follows (there were no open contracts as of December 31, 1998):

	1997	
	Commitment to Purchase (Futures,	Commitment to Sell (Futures,

	Options & Forwards)	Options & Forwards)
Interest Rates & Stock Indices	$ 82,771,267	$ 65,284,299
Commodities	745,270	8,158,197
Currencies	17,541,232	36,204,865
Energy	772,649	4,558,618
Metals	1,466,026	8,489,672
	$ 103,296,444	$ 122,695,651

All of the Partnership's derivative instruments outstanding as of December 31, 1997 expired within one year.

The contract/notional values of the Partnership's open exchange-traded and non-exchange-traded open derivative instrument positions as of December 31, 1997 were as follows (there were no open derivative instrument positions as of December 31, 1998):

	1997	
	Commitment to Purchase (Futures, Options & Forwards)	Commitment to Sell (Futures, Options & Forwards)
Exchange-Traded	$ 89,274,821	$100,878,257
Non-Exchange-Traded	14,021,623	21,817,394
	$103,296,444	$122,695,651

The average fair values, based on contract/notional values, of the Partnership's derivative instrument positions which were open as of the end of each calendar month during the period from January 1, 1998 to May 31, 1998 and for the year ended December 31, 1997 (during 1998 and 1997, a portion of the Partnership's trading was done through Trading LLCs and is not, accordingly, reflected below) were as follows:

<TABLE>
<CAPTION>

	1998		1997	
	Commitment to Purchase (Futures, Options & Forwards)	Commitment to Sell (Futures, Options & Forwards)	Commitment to Purchase (Futures, Options & Forwards)	Commitment to Sell (Futures, Options & Forwards)
<S>	<C>	<C>	<C>	<C>
Interest Rates and Stock Indices	$ 110,022,612	$ 25,213,416	$ 77,150,089	$ 37,849,496
Commodities	2,241,355	5,645,904	3,925,015	3,897,478
Currencies	15,416,143	19,133,760	18,669,147	28,646,929
Energy	1,806,250	2,157,156	3,139,779	2,312,458
Metals	2,730,894	4,141,921	5,072,385	7,398,721
	$ 132,217,254	$ 56,292,157	$ 107,956,415	$ 80,105,082

</TABLE>

A portion of the amounts indicated as off-balance sheet risk reflects offsetting commitments to purchase and to sell the same derivative instrument on the same date in the future. These commitments are economically offsetting but are not, as a technical matter, offset in the forward markets until the settlement date.

Credit Risk

The risks associated with exchange-traded contracts are typically perceived to be less than those associated with over-the-counter (non-exchange-traded) transactions, because exchanges typically (but not universally) provide clearinghouse arrangements in which the collective credit (in some cases limited in amount, in some cases not) of the members of the exchange is pledged to support the financial

integrity of the exchange. In over-the-counter transactions, on the other hand, traders must rely solely on the credit of their respective individual counterparties. Margins, which may be subject to loss in the event of a default, are generally required in exchange trading, and counterparties may require margin in the over-the-counter markets.

The fair value amounts in the above tables represent the extent of the Partnership's market exposure in the particular class of derivative instrument listed, but not the credit risk associated with counterparty nonperformance. The credit risk associated with these instruments from counterparty nonperformance is the net unrealized profit included on the Statements of Financial Condition.

The gross unrealized profit and net unrealized profit (loss) on the Partnership's open derivative instrument positions as of December 31, 1997 (as of December 31, 1997, a portion of the Partnership trading was done through Trading LLCs and is not, accordingly, reflected below) were as follows (there were no open derivative instrument positions as of December 31, 1998):

	1997	
	Gross Unrealized Profit	Net Unrealized Profit (Loss)
Exchange-Traded	$ 1,076,647	$ 709,701
Non-Exchange-Traded	362,223	(6,370)
	$ 1,438,870	$ 703,331

The Partnership has credit risk in respect of its counterparties and brokers, but attempts to control this risk by dealing almost exclusively with Merrill Lynch entities as counterparties and brokers.

The Partnership, in its normal course of business, entered into various contracts, with MLF acting as its commodity broker. Pursuant to the brokerage arrangement with MLF (which included a netting arrangement), to the extent that such trading resulted in receivables from and payables to MLF, these receivables and payables were offset and reported as a net receivable or payable.

* * * * * * * * * * * * * * *

To the best of the knowledge and belief of the undersigned, the information contained in this report is accurate and complete.

/s/ Jo Ann Di Dario

Jo Ann Di Dario
Chief Financial Officer
Merrill Lynch Investment Partners Inc.
General Partner of
The S.E.C.T.O.R. Strategy Fund(SM) L.P.

EXHIBIT 13.01(A)

ML MILLBURN GLOBAL L.L.C.
(A Delaware Limited Liability Company)

Financial Statements for the years ended December 31, 1998 and 1997 and for the period from December 2, 1996 (Commencement of Operations) To December 31, 1996 and Independent Auditors' Report

[LOGO] Merrill Lynch

ML MILLBURN GLOBAL L.L.C.
(A Delaware Limited Liability Company)

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997 AND FOR THE PERIOD FROM DECEMBER 2, 1996 (COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 1996:	
Statements of Financial Condition	2
Statements of Income	3
Statements of Changes in Members' Capital	4
Notes to Financial Statements	5-11

INDEPENDENT AUDITORS' REPORT

To the Members of
ML Millburn Global L.L.C.:

We have audited the accompanying statements of financial condition of ML Millburn Global L.L.C. (the "Company") as of December 31, 1998 and 1997, and the related statements of income and of changes in members' capital for the years ended December 31, 1998 and 1997 and for the period from December 2, 1996 (commencement of operations) to December 31, 1996. These financial statements are the responsibility of Merrill Lynch Investment Partners Inc., the Company's Administrator. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of ML Millburn Global L.L.C. as of December 31, 1998 and 1997, and the results of its operations for the years ended December 31, 1998 and 1997 and for the period from December 2, 1996 (commencement of operations) to December 31, 1996 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

New York, New York
February 4, 1999

ML MILLBURN GLOBAL L.L.C.

(A Delaware Limited Liability Company)

STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 1998 and 1997

<TABLE>
<CAPTION>

ASSETS	1998	1997
Equity in commodity futures trading accounts:		
Cash and option premiums	$ 26,414,436	$ 34,556,738
Net unrealized profit on open contracts	1,304,531	873,497
Accrued interest (Note 2)	96,033	154,701
TOTAL	$ 27,815,000	$ 35,584,936
LIABILITIES AND MEMBERS' CAPITAL		
LIABILITIES:		
Brokerage commissions payable (Note 2)	$ 220,182	$ 279,690
Profit Shares payable (Note 3)	183,086	902,022
Administrative fees payable (Note 2)	5,794	7,413
Withdrawals payable	128,824	265,533
Total liabilities	537,886	1,454,658
MEMBERS' CAPITAL:		
Voting Members	27,277,114	34,130,278
Total Voting Members' capital	27,277,114	34,130,278
TOTAL	$ 27,815,000	$ 35,584,936

</TABLE>

See notes to financial statements.

ML MILLBURN GLOBAL L.L.C.
(A Delaware Limited Liability Company)

STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997
AND FOR THE PERIOD FROM DECEMBER 2, 1996 (COMMENCEMENT OF OPERATIONS)
TO DECEMBER 31, 1996

<TABLE>
<CAPTION>

	1998	1997	1996
REVENUES:			
Trading profit (loss):			
Realized	$ 1,728,662	$ 6,777,967	$ (548,574)
Change in unrealized	431,034	(43,022)	916,519
Total trading results	2,159,696	6,734,945	367,945
Interest income (Note 2)	1,433,954	1,568,485	82,674
Total revenues	3,593,650	8,303,430	450,619
EXPENSES:			
Brokerage commissions (Note 2)	2,836,503	3,530,493	270,878
Profit Shares (Note 3)	197,023	978,330	14,552
Administrative fees (Note 2)	74,885	91,883	5,940
Total expenses	3,108,411	4,600,706	291,370

NET INCOME	$ 485,239	$ 3,702,724	$ 159,249

</TABLE>

See notes to financial statements

ML MILLBURN GLOBAL L.L.C.
(A Delaware Limited Liability Company)

STATEMENTS OF CHANGES IN MEMBER'S CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997
AND FOR THE PERIOD FROM DECEMBER 2, 1996 (COMMENCEMENT OF OPERATIONS)
TO DECEMBER 31, 1996

<TABLE>

<S>	<C>
Initial Contributions	$ 27,949,167
Contributions	5,867,360
Receivable from Member	(5,867,360)
Withdrawals	(383,590)
Net income	159,249
MEMBERS' CAPITAL, DECEMBER 31, 1996	27,724,826
Collection of receivable	5,867,360
Withdrawals	(3,164,632)
Net income	3,702,724
MEMBERS' CAPITAL, DECEMBER 31, 1997	$ 34,130,278
Withdrawals	(7,338,403)
Net income	485,239
MEMBERS' CAPITAL, DECEMBER 31, 1998	$ 27,277,114

</TABLE>

See notes to financial statements.

ML MILLBURN GLOBAL L.L.C.
(A Delaware Limited Liability Company)

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

ML Millburn Global L.L.C. (the "Company") was organized under the Delaware Limited Liability Company Act on November 22, 1996 and commenced trading activities on December 2, 1996. The Company engages in the speculative trading of futures, options on futures and forward contracts on a wide range of commodities. Millburn Ridgefield Corporation (the "Advisor" or "Millburn") is the Advisor to the Company. Merrill Lynch Investment Partners ("MLIP"), a wholly-owned subsidiary of Merrill Lynch Group, Inc., which, in turn, is a wholly-owned subsidiary of Merrill Lynch & Co., Inc. ("Merrill Lynch"), has been delegated administrative authority over the Company. Merrill Lynch Futures Inc. ("MLF"), an affiliate of Merrill Lynch, is the Company's commodity broker. The Company has authorized two classes of

Membership Interests: Non-Voting Interests and Voting Interests (collectively, "Interests"). These two classes of Interests have common economic interests in the Company, but the Non-Voting Interests, which could be held by non-United States investment funds sponsored by MLIP, would not participate in any respect in the management of the Company, or engage, directly or indirectly, in, participate in or control all or any portion of the business activities or affairs of the Company. Management of the Company is vested solely in the Voting Interests, which are held by United States limited partnerships sponsored by MLIP. The Voting Members control all business activities and affairs of the Company by agreement of the majority in interest of such Voting Members, subject to the trading authority vested in and delegated to Millburn and the administrative authority vested in and delegated to MLIP. The Members of the Company, each of which is a "commodity pool" sponsored and managed by MLIP, share in the profits and losses of the Company in proportion to their respective capital accounts, although the Members are subject to somewhat different fees. Currently, there is only one Member of the Company.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Commodity futures, options on futures and forward contract transactions are recorded on the trade date and open contracts are reflected in net unrealized profit on open contracts in the Statements of Financial Condition at the difference between the original contract value and the market value (for those commodity interests for which market quotations are readily available) or at fair value. The change in unrealized profit (loss) on open contracts from one period to the next is reflected in change in unrealized in the Statements of Income.

Foreign Currency Transactions

The Company's functional currency is the U.S. dollar; however, it transacts business in currencies other than the U.S. dollar. Assets and liabilities denominated in currencies other than the U.S. dollar are translated into U.S. dollars at the rates in effect at the dates of the Statements of Financial Condition. Income and expense items denominated in currencies other than the U.S. dollar are translated into U.S. dollars at the rates in effect during the period. Gains and losses resulting from the translation to U.S. dollars are reported in total trading results currently.

Organizational Costs

MLIP paid all organizational costs relating to the Company without direct reimbursement from the Company or any Member.

Operating Expenses

MLIP pays for all operating costs (including all legal, accounting, printing, postage and similar administrative expenses) of the Company.

Income Taxes

No provision for income taxes has been made in the accompanying financial statements as each Member is individually responsible for reporting income or loss based on such Member's respective share of the Company's income and expenses as reported for income tax purposes.

Distributions

No distributions had been made by the Company to any Member as of December 31, 1998.

Withdrawals

Each Member may withdraw some or all of such Members' capital at Net Asset

Value as of the close of business on any business day. There are no withdrawal fees or charges.

Dissolution

The Company will terminate on December 31, 2046 or at an earlier date if certain conditions occur, as well as under certain other circumstances as set forth in the Organization Agreement.

Recently Issued Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting standard No. 133, "Accounting for Derivative Instruments and Hedging Activities" (the "Statement"). Such Statement is effective for fiscal years commencing after June 15, 1999. MLIP does not believe that the Statement will have a significant effect on the financial statements of the Company.

2. RELATED PARTY TRANSACTIONS

The Company's U.S. dollar assets are maintained at MLF. On assets held in U.S. dollars, Merrill Lynch credits the Company with interest at the prevailing 91-day U.S. Treasury bill rate. The Company is credited with interest on any of its net gains actually held by Merrill Lynch in non-U.S. dollar currencies at a prevailing local rate received by Merrill Lynch. Merrill Lynch may derive certain economic benefit, in excess of the interest which Merrill Lynch pays to the Company, from possession of such assets.

Merrill Lynch charges the Company Merrill Lynch's cost of financing realized and unrealized losses on the Company's non-U.S. dollar-denominated positions.

Following the allocation of the Company's trading profit (loss) and interest income among the Members' respective capital accounts, MLIP calculates the brokerage commissions, administrative fees, Profit Shares and other expenses due from the Company to third parties, in respect of the Company's trading on behalf of the respective Members (the Company being subject to different commissions, fees, Profit Shares and expenses in respect of its trading as allocable to the various different Members). Such commissions, fees and expenses are specifically allocated as of the end of each accounting period (not pro rata based on the Members' respective capital accounts) to, and deducted from, the appropriate Members' capital accounts and paid out by the Company. The Company pays brokerage commissions to MLF at flat monthly rates reflecting the fee arrangement between each Member and MLF. During the year ended December 31, 1997, and the period from December 2, 1996 to December 31, 1996, such rates ranged from .729 of 1% (an 8.75% annual rate) to .979 of 1% (an 11.75% annual rate) of each Member's month-end assets invested in the Company. During the period from January 1, 1998 to May 31, 1998, the rates ranged from .729 of 1% (an 8.75% annual rate) to .792 of 1% (a 9.50% annual rate). As of May 31, 1998, the Members subject to a .729 of 1% brokerage commission rate withdrew from the Company, and thereafter, the rate was .792 of 1% (a 9.50% annual rate).

The Company pays MLIP a monthly administrative fee of .021 of 1% (a .25% annual rate) of each Member's month-end assets. Month-end assets are not reduced for purposes of calculating brokerage commissions and administrative fees by any accrued brokerage commissions, administrative fees, Profit Shares or other fees or charges.

In 1996, MLF paid the Advisor an annual consulting fee of 4% of the Company's average month-end assets, after reduction for a portion of brokerage commissions. Beginning January 1, 1997 the consulting fee paid by MLF to the Advisor was reduced to 2% per annum.

Many of the Company's currency trades are executed in the spot and forward foreign exchange markets (the "FX Markets") where there are no direct execution costs. Instead, the participants, banks and dealers, including Merrill Lynch International Bank ("MLIB"), in the FX Markets take a "spread" between the prices at which they are prepared to buy and sell a particular currency and such spreads are built into the pricing of the spot or forward contracts with the Company. MLIP anticipates that some of the Company's foreign currency trades will be executed through MLIB, an affiliate of MLIP. MLIB has discontinued the operation of the foreign exchange service desk, which included seeking multiple quotes from counterparties unrelated to MLIB for a service fee and trade execution.

In its exchange of futures for physical ("EFP") trading, the Company acquires cash currency positions through banks and dealers, including Merrill Lynch. The Company pays a spread when it exchanges these positions for futures. This spread reflects, in part, the different settlement dates of the cash and the futures contracts, as well as prevailing interest rates, but also includes a pricing spread in favor of the banks and dealers, which may include a Merrill Lynch entity.

3. ADVISORY AGREEMENT

The Advisory Agreement between the Company and Millburn has remained essentially unchanged since the inception of the Company. This Agreement is in effect for successive one-year terms, but, in fact, given the single advisor structure of the Company, the Company would terminate were the Advisor no longer to manage its trading. The Advisor determines the commodity futures, options on futures and forward contract trades to be made on behalf of the Company, subject to certain rights reserved by MLIP.

The Company pays to Millburn an annual Profit Share equal to 20% of any New Trading Profit, as defined, attributable to each Members' Capital Account in the Company. Profit Shares are calculated separately in respect of each Members' Capital Account. Prior to January 1, 1997, Profit Shares were determined as of the end of each calendar quarter. Profit Shares are also paid to Millburn upon the withdrawal of capital from the Company by a Member for whatever purpose, other than to pay expenses.

4. FAIR VALUE AND OFF-BALANCE SHEET RISK

The Company trades futures, options on futures and forward contracts on interest rates, stock indices, currencies and metals. The Company's trading results for the years ended December 31, 1998 and 1997 and for the period from December 2, 1996 (Commencement of Operations) to December 31, 1996 were as follows:

<TABLE>
<CAPTION>

	Trading Results		
	1998	1997	1996
<S>	<C>	<C>	<C>
Interest rates	$ 4,995,651	$ 591,963	$ (968,118)
Stock indices	(555,528)	1,181,885	265,546
Currencies	(1,713,442)	5,610,941	1,028,590
Metals	(566,985)	(649,844)	41,927
	$ 2,159,696	$ 6,734,945	$ 367,945

</TABLE>

Market Risk

Derivative instruments involve varying degrees of off-balance sheet market risk, and changes in the level or volatility of interest rates, foreign currency exchange rates or the market values of the underlying financial instruments or commodities underlying such derivative instruments frequently result in changes in the Company's net unrealized profit on such derivative instruments as reflected in the Statements of Financial Condition. The Company's exposure to market risk is influenced by a number of factors, including the relationships among the derivative instruments held by the Company as well as the volatility and liquidity in the markets in which such derivative instruments are traded.

MLIP, which monitors the trading of the Company in MLIP's capacity as the Company's Administrator, has procedures in place intended to control market risk exposure, although there can be no assurance that they will, in fact, succeed in doing so. These procedures focus primarily on monitoring the trading of the Advisor, calculating the Net Asset Value of the Company and of the Members' respective capital accounts as of the close of business on each day and reviewing outstanding positions for over-

concentrations. While MLIP does not itself intervene in the markets to hedge or diversify the Company's market exposure, MLIP may consult with the Advisor concerning the possibility of the Advisor reducing trading leverage or market concentrations. However, such interventions are unusual. Except in cases in which it appears that the Advisor has begun to deviate from past practice and trading policies or to be trading erratically (which has not occurred to date), MLIP's basic risk control procedures consist simply of the ongoing process of monitoring Millburn with the market risk controls being applied by Millburn.

Fair Value

The derivative instruments traded by the Company are marked to market daily with the resulting net unrealized profit recorded in the Statements of Financial Condition and the related profit reflected in trading results in the Statements of Income.

The contract/notional values of open contracts as of December 31, 1998 and 1997 were as follows:

<TABLE>
<CAPTION>

	1998		1997	
	Commitment to Purchase (Futures, Options & Forwards)	Commitment to Sell (Futures, Options & Forwards)	Commitment to Purchase (Futures, Options & Forwards)	Commitment to Sell (Futures, Options & Forwards)
<S>	<C>	<C>	<C>	<C>
Interest rates	$ 81,923,291	$ 244,863,913	$ 113,325,505	$ 45,345,280
Stock indices	2,024,758	4,584,393	729,875	7,900,952
Currencies	106,295,680	83,749,694	61,598,754	91,949,255
Metals	7,509,850	14,603,585	2,768,365	11,251,745
	$ 197,753,579	$ 347,801,585	$ 178,422,499	$ 156,447,232

</TABLE>

Substantially all of the Company's derivative instruments outstanding as of December 31, 1998 expire within one year.

The contract/notional values of the Company's exchange-traded and non-exchange traded open derivative instrument positions as of December 31, 1998 and 1997 were as follows:

<TABLE>
<CAPTION>

	1998		1997	
	Commitment to Purchase (Futures, Options & Forwards)	Commitment to Sell (Futures, Options & Forwards)	Commitment to Purchase (Futures, Options & Forwards)	Commitment to Sell (Futures, Options & Forwards)
<S>	<C>	<C>	<C>	<C>
Exchange-Traded	$ 85,548,429	$ 253,061,446	$ 117,094,640	$ 55,066,167
Non-Exchange-Traded	112,205,150	94,740,139	61,327,859	101,381,065
	$ 197,753,579	$ 347,801,585	$ 178,422,499	$ 156,447,232

</TABLE>

The average fair values, based on contract/notional values, of the Company's derivative instrument positions which were open as of the end of each calendar month during the years ended December 31, 1998 and 1997 were as follows:

<TABLE>
<CAPTION>

	1998		1997	
	Commitment to Purchase (Futures, Options & Forwards)	Commitment to Sell (Futures, Options & Forwards)	Commitment to Purchase (Futures, Options & Forwards)	Commitment to Sell (Futures, Options & Forwards)
<S>	<C>	<C>	<C>	<C>
Interest rates	$ 124,601,864	$ 73,655,157	$ 109,239,425	$ 64,911,569
Stock indices	2,853,695	5,345,009	4,174,099	4,443,654
Currencies	189,443,664	191,133,976	181,132,627	197,159,660
Metals	10,024,800	14,065,584	10,647,435	11,798,908
	$ 326,924,023	$ 284,199,726	$ 305,193,586	$ 278,313,791

</TABLE>

A portion of the amounts indicated as off-balance sheet risk reflects offsetting commitments to purchase and sell the same derivative instrument on the same date in the future. These commitments are economically offsetting but are not, as a technical matter, offset in the forward markets until the settlement date.

Credit Risk

The risks associated with exchange-traded contracts are typically perceived to be less than those associated with over-the-counter (non-exchange-traded) transactions, because exchanges typically (but not universally) provide clearinghouse arrangements in which the collective credit (in some cases limited in amount, in some cases not) of the members of the exchange is pledged to support the financial integrity of the exchange. In over-the-counter transactions, on the other hand, traders must rely solely on the credit of their respective individual counterparties. Margins, which may be subject to loss in the event of a default, are generally required in exchange trading, and counterparties may require margin in the over-the-counter markets.

The fair value amounts in the above tables represent the extent of the Company's market exposure in the particular class of derivative instrument listed, but not the credit risk associated with counterparty nonperformance. The credit risk associated with these instruments from counterparty nonperformance is the net unrealized profit included on the Statements of Financial Condition.

EXHIBIT 13.01(A)

ML Sjo Prospect L.L.C.
(A Delaware Limited Liability Company)
(In Liquidation)

Financial Statements for the Period from January 1, 1998 to May 31, 1998 and the Period from January 2, 1997 (Commencement of Operations) to December 31, 1997 and Independent Auditors' Report

ML SJO PROSPECT L.L.C.
(A Delaware Limited Liability Company)
(In Liquidation)

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY 1, 1998 TO MAY 31, 1998 AND FOR THE PERIOD FROM JANUARY 2, 1997 (COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 1997:	
Statements of Financial Condition	2
Statements of Income	3
Statements of Changes in Members' Capital	4
Notes to Financial Statements	5-10

INDEPENDENT AUDITORS' REPORT

To the Members of
ML Sjo Prospect L.L.C. (In Liquidation):

We have audited the accompanying statements of financial condition of ML Sjo Prospect L.L.C. (a Delaware limited liability company; the "Company"), in liquidation, as of May 31, 1998 and December 31, 1997, and the related statements of income and of changes in members' capital for the period from January 1, 1998 to May 31, 1998 and for the period from January 2, 1997 (commencement of operations) to December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of ML Sjo Prospect L.L.C. (In Liquidation) as of May 31, 1998 and December 31, 1997, and the results of its operations for the period from January 1, 1998 to May 31, 1998 and for the period from January 2, 1997 (commencement of operations) to December 31, 1997 in conformity with generally accepted accounting principles.

As discussed in Notes 1 and 2 to the financial statements, all trading operations were suspended as of May 31, 1998. Liquidation was completed on July 30, 1998. Formal dissolution was effective on October 14, 1998.

DELOITTE & TOUCHE LLP

New York, New York
October 16, 1998

ML SJO PROSPECT L.L.C.
(A Delaware Limited Liability Company)
(In Liquidation)

STATEMENTS OF FINANCIAL CONDITION
MAY 31, 1998 AND DECEMBER 31, 1997

<TABLE>
<CAPTION>

ASSETS	1998	1997
Accrued interest (Note 3)	$ 80,078	$ 93,192
Equity in commodity futures trading accounts:		
Cash and option premiums	18,489,797	20,891,450
Net unrealized profit on open contracts	-	255,565
TOTAL	$ 18,569,875	$ 21,240,207
LIABILITIES AND VOTING MEMBERS' CAPITAL		
LIABILITIES:		
Withdrawals payable	$ 18,352,268	$ 1,716,855
Brokerage commissions payable (Note 3)	135,264	154,735
Profit Shares payable (Note 4)	78,478	182,607
Administrative fees payable (Note 3)	3,865	4,420
Total liabilities	18,569,875	2,058,617
VOTING MEMBERS' CAPITAL		
Total Voting Members' capital	-	19,181,590
TOTAL	$ 18,569,875	$ 21,240,207

</TABLE>

See notes to financial statements.

ML SJO PROSPECT L.L.C.
(A Delaware Limited Liability Company)
(In Liquidation)

STATEMENTS OF INCOME
FOR THE PERIOD FROM JANUARY 1, 1998 TO MAY 31, 1998 AND FOR THE PERIOD FROM JANUARY 2, 1997 (COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 1997

<TABLE>
<CAPTION>

REVENUES:	1998	1997
<S>	<C>	<C>

Trading profit (loss):		
Realized	$ 1,317,593	$ 2,563,871
Change in unrealized	(255,565)	255,565
Total trading results	1,062,028	2,819,436
Interest income (Note 3)	410,214	1,083,832
Total revenues	1,472,242	3,903,268
EXPENSES:		
Brokerage commissions (Note 3)	699,356	1,874,826
Profit Shares (Note 4)	83,540	216,149
Administrative fees (Note 3)	19,982	53,103
Total expenses	802,878	2,144,078
NET INCOME	$ 669,364	$ 1,759,190

</TABLE>

See notes to financial statements.

ML SJO PROSPECT L.L.C.
(A Delaware Limited Liability Company)
(In Liquidation)

STATEMENTS OF CHANGES IN MEMBERS' CAPITAL
FOR THE PERIOD FROM JANUARY 1, 1998 TO MAY 31, 1998 AND FOR THE PERIOD FROM
JANUARY 2, 1997 (COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 1997

<TABLE>
<CAPTION>

<S>	Voting Members <C>	Non-Voting Members <C>	Total <C>
Initial Contributions	$ 19,005,590	$ 2,036,797	$ 21,042,387
Additions	4,053,526	-	4,053,526
Withdrawals	(5,495,743)	(2,177,770)	(7,673,513)
Net Income	1,618,217	140,973	1,759,190
MEMBERS' CAPITAL, DECEMBER 31, 1997	19,181,590	-	19,181,590
Withdrawals	(19,850,954)	-	(19,850,954)
Net Income	669,364	-	669,364
MEMBERS' CAPITAL, MAY 31, 1998	$ -	$ -	$ -

</TABLE>

See notes to financial statements.

ML SJO PROSPECT L.L.C.
(A Delaware Limited Liability Company)
(In Liquidation)

NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM JANUARY 1, 1998 TO MAY 31, 1998 AND FOR THE PERIOD FROM

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

ML Sjo Prospect L.L.C. (the "Company") was organized under the Delaware Limited Liability Company Act on December 19, 1996 and commenced trading activities on January 2, 1997. Effective May 31, 1998, the Company suspended trading operations (see Note 2). The Company engaged in the speculative trading of futures, options on futures and forward contracts on a wide range of commodities. Merrill Lynch Investment Partners Inc. ("MLIP"), a wholly-owned subsidiary of Merrill Lynch Group, Inc., which in turn is a wholly-owned subsidiary of Merrill Lynch & Co., Inc. ("Merrill Lynch"), was delegated administrative authority over the Company, and Merrill Lynch Futures Inc. ("MLF"), also an affiliate of MLIP, was its commodity broker. The Company had authorized two classes of Membership Interests: Non-Voting Membership Interests and Voting Membership Interests (collectively, "Interests"). These two classes of Interests had common economic interests in the Company, but the Non-Voting Interests, which were held by non-United States investment funds sponsored by MLIP, did not participate in any respect in the management of the Company, or engage, directly or indirectly, in, participate in or control all or any portion of the business activities or affairs of the Company. Management of the Company was vested solely in the Voting Interests, which were held by United States limited partnerships sponsored by MLIP. The Voting Members controlled all business activities and affairs of the Company by agreement of the majority in interest of such Members, subject to the trading authority vested in and delegated to Sjo, Inc. (the "Advisor" or "Sjo") and the administrative authority vested in and delegated to MLIP. The Members of the Company ("the Members"), each of which is a "commodity pool" sponsored and controlled by MLIP, shared in the trading profit and interest income of the Company in proportion to their respective capital accounts.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results may have differed from those estimates.

Revenue Recognition

Commodity futures, options on futures, and forward contract transactions were recorded on the trade date and open contracts were reflected in net unrealized profit on open contracts in the Statements of Financial Condition at the difference between the original contract value and the fair value. The change in net unrealized profit on open contracts from one period to the next was reflected in change in unrealized in the Statements of Income. Fair value was based on quoted market prices on the exchange or market on which the contract was traded.

Organizational Costs

MLIP paid all organizational costs relating to the Company without direct reimbursement from the Company or any Member.

Income Taxes

No provision for income taxes was made in the accompanying financial statements as each Member was individually responsible for reporting income or loss based on such Member's respective share of the Company's income and expenses as reported for income tax purposes. Non-Voting Members were not subject to U.S. tax.

Distributions

No distributions (except upon withdrawals) were made by the Company to any Member as of May 31, 1998.

Withdrawals

Each Member was permitted to withdraw some or all of such Members' Capital at

Net Asset Value as of the close of business on any business day. There were no withdrawal fees or charges.

2. LIQUIDATION OF THE COMPANY

Effective May 31, 1998, the Company suspended all trading operations and began formal liquidation of the Company. All commodity positions were liquidated or offset and no other trading occurred. In accordance with the liquidation, the Company's Advisory Agreement terminated and Members redeemed their capital. Liquidation was completed on July 30, 1998. Formal dissolution was effective on October 14, 1998.

3. RELATED PARTY TRANSACTIONS

The Company's U.S. dollar assets were maintained at MLF. On assets held in U.S. dollars, Merrill Lynch credited the Company with interest at the prevailing 91-day U.S. Treasury bill rate. The Company was credited with interest on any of its net gains actually held by Merrill Lynch in non-U.S. dollar currencies at a prevailing local rate received by Merrill Lynch. Merrill Lynch may have derived certain economic benefit, in excess of the interest which Merrill Lynch paid to the Company, from possession of such assets.

Merrill Lynch charged the Company Merrill Lynch's cost of financing realized and unrealized losses on the Company's non-U.S. dollar-denominated positions.

Following the allocation of the Company's trading profit and interest income among the Members' respective capital accounts, MLIP calculated the brokerage commissions, Profit Shares, administrative fees and other expenses due from the Company to third parties, in respect of the Company's trading on behalf of the respective Members (the Company being subject to different commissions, fees and expenses in respect of its trading as allocable to the various different Members). Such commissions, fees and expenses were specifically allocated as of the end of each accounting period (not pro rata based on the Members' respective capital accounts) to, and deducted from, the appropriate Members' capital accounts and paid out by the Company. The Company paid brokerage commissions to MLF, at flat monthly rates reflecting the fee arrangement between each Member and MLF. During the period from

January 2, 1997 to May 31, 1998, such rates ranged from .646 of 1% (a 7.75% annual rate) to .831 of 1% (a 9.75% annual rate) of each Member's month-end assets invested in the Company.

The Company paid MLIP a monthly administrative fee of .021 of 1% (a .25% annual rate) of each Member's month-end assets invested in the Company.

Month-end assets were not reduced for purposes of calculating brokerage commissions and administrative fees by any accrued brokerage commissions, administrative fees, Profit Shares or other fees or charges.

MLF paid the Advisor an annual consulting fee of 1% of the Company's average month-end assets, after reduction for a portion of the brokerage commissions.

The Company traded forward contracts through a foreign exchange service desk (the "F/X Desk") established by MLIP. The F/X Desk gave the Company access to counterparties in addition to (but also including) Merrill Lynch International Bank ("MLIB"). MLIP or another Merrill Lynch entity charged a service fee equal to, at current exchange rates, approximately $5.00 to $12.50 on each purchase or sale (not round-turn) of a futures contract-equivalent face amount of a given currency traded in the forward markets. No service fees were charged on trades awarded to MLIB (which received bid-ask spreads on such trades).

In its exchange of futures for physical ("EFP") trading with Merrill Lynch, the Company acquired spot or forward (collectively, "cash") currency positions through the F/X Desk in the same manner and on the same terms as in the case of the Company's other F/X Desk trading. When the Company exchanged these positions for futures, there was a differential between the prices of the two positions. This differential reflected, in part, the different settlement dates of the cash and the futures contracts and prevailing interest rates, but also included a pricing spread in favor of MLIB or another Merrill Lynch entity. The Advisor made little use of EFPs.

The Company's F/X Desk service fee and EFP differential costs totaled no more than .25 of 1% per annum of the Company's average month-end assets during the Company's operation.

4. ADVISORY AGREEMENT

Pursuant to the Advisory Agreement between Sjo, the Company and MLIP, the Advisor determined the commodity futures, options on futures and forward contracts traded on behalf of the Company, subject to certain Company trading policies and to certain rights reserved by MLIP.

The Company paid to Sjo an annual Profit Share equal to 15% of any New Trading Profit, as defined, attributable to each Member's capital account in the Company. Profit Shares, which were calculated separately in respect of each Member's capital account, were determined as of the end of each calendar year and were also paid to Sjo upon the withdrawal of capital from the Company by a Member for whatever purpose, other than to pay expenses.

5. FAIR VALUE AND OFF-BALANCE SHEET RISK

The Company traded futures, options on futures and forward contracts on interest rates, stock indices, commodities, currencies, energy and metals. The Company's trading results by reporting category for the period from January 1, 1998 to May 31, 1998 and the period from January 2, 1997 (commencement of operations) to December 31, 1997 were as follows:

	Total Trading Results	
	1998	1997
Interest Rates	$ 1,084,775	$ 1,608,016
Stock Indices	-	(111,089)
Commodities	-	1,258,342
Currencies	(22,747)	450,478
Energy	-	(516,170)
Metals	-	129,859
	$ 1,062,028	$ 2,819,436

Market Risk

Derivative instruments involve varying degrees of off-balance sheet market risk, and changes in the level or volatility of interest rates, foreign currency exchange rates or the market values of the underlying financial instruments or commodities underlying such derivative instruments frequently result in changes in the Company's unrealized on such derivative instruments as reflected in the Statements of Financial Condition. The Company's exposure to market risk was influenced by a number of factors, including the relationships among the derivative instruments held by the Company as well as the volatility and liquidity in the markets in which such derivative instruments were traded.

MLIP, which monitored the trading of the Company in MLIP's capacity as the General Partner of the Voting Members and Sponsor of the Non-Voting Members, had procedures in place intended to control market risk, although there was no assurance that they would, in fact, succeed in doing so. The procedures focused primarily on monitoring the trading of the Advisor, calculating the Net Asset Value of the Company and of the Members' respective capital accounts as of the close of business on each day and reviewing outstanding positions for over-concentrations. While MLIP did not itself intervene in the markets to hedge or diversify the Company's market exposure, MLIP did consult with the Advisor concerning the possibility of the Advisor reducing trading leverage or market concentrations. However, such consultations were unusual. MLIP's basic risk control procedures consisted simply of the ongoing process of monitoring Sjo with the market risk controls being applied by Sjo.

Fair Value

The derivative instruments traded by the Company were marked to market daily with the resulting unrealized profit (loss) recorded in the Statements of Financial Condition and the related profit reflected in trading revenues in the Statements of Income.

The contract/notional values of open contracts, all of which were exchange traded, as of December 31, 1997 were as follows (there were no open contracts as of May 31, 1998):

1997	
Commitment to Purchase (Futures, Options & Forwards)	Commitment to Sell (Futures, Options & Forwards)

Interest Rates	$ 259,399,745	$ 30,326,212

The average fair values, based on contract/notional values, of the Company's derivative instrument positions which were open as of the end of each calendar month during the period from January 1, 1998 to May 31, 1998 and the period from January 2, 1997 (commencement of operations) through December 31, 1997 were as follows:

	1998		1997	
	Commitment to Purchase (Futures, Options & Forwards)	Commitment to Sell (Futures, Options & Forwards)	Commitment to Purchase (Futures, Options & Forwards)	Commitment to Sell (Futures, Options & Forwards)
Interest Rates	$ 218,889,921	$ 113,033,438	$ 194,525,907	$ 93,811,198
Stock Indices	-	-	10,338,576	16,608,547
Commodities	-	-	7,268,084	5,885,636
Currencies	-	-	16,122,843	19,305,449
Energy	-	-	1,618,935	2,010,335
Metals	-	-	5,914,036	5,393,765
	$ 218,889,921	$ 113,033,438	$ 235,788,381	$ 143,014,930

A portion of the amounts indicated as off-balance sheet risk reflects offsetting commitments to purchase and sell the same derivative instrument on the same date in the future. These commitments were economically offsetting but were not, as a technical matter, offset in the forward markets until the settlement date.

Credit Risk

The risks associated with exchange-traded contracts are typically perceived to be less than those associated with over-the-counter (non-exchange-traded) transactions, because exchanges typically (but not universally) provide clearinghouse arrangements in which the collective credit (in some cases limited in amount, in some cases not) of the members of the exchange is pledged to support the financial integrity of the exchange. In over-the-counter transactions, on the other hand, traders must rely solely on the credit of their respective individual counterparties. Margins, which may be subject to loss in the event of a default, are generally required in exchange trading, and counterparties may require margin in the over-the-counter markets.

The fair value amounts in the above tables represent the extent of the Company's market exposure in the particular class of derivative instrument listed, but not the credit risk associated with counterparty nonperformance. The credit risk associated with these instruments from counterparty nonperformance was the net unrealized profit, if any, included on the Statements of Financial Condition.

The Company also had credit risk because the sole counterparty or broker with respect to most of the Company's assets was MLF.

The gross unrealized profit and net unrealized profit on the Company's open derivative instrument positions as of December 31, 1997 were as follows (there were no open derivative instrument positions as of May 31, 1998):

	1997	
	Gross Unrealized Profit	Net Unrealized Profit
Exchange-Traded	$ 311,890	$ 255,565

The Company controlled credit risk by dealing almost exclusively with Merrill Lynch entities as brokers and counterparties.

The Company, in its normal course of business, entered into various contracts, with MLF acting as its commodity broker. Pursuant to the brokerage arrangement with MLF (which included a netting arrangement), to the extent that such trading resulted in receivables from and payables to MLF, these receivables and payables were offset and reported as a net receivable or payable.

* * * * * * * * * * *

To the best of the knowledge and belief of the undersigned, the information contained in this report is accurate and complete.

/s/ Di Dario

Jo Ann Di Dario
Chief Financial Officer
Merrill Lynch Investment Partners Inc.
Commodity Pool Operator of
ML Sjo Prospect L.L.C.

EXHIBIT 13.01(A)

ML Chesapeake Diversified L.L.C.
(A Delaware Limited Liability Company)
(In Liquidation)

Financial Statements for the period from January 1, 1998 to May 31, 1998, for the year ended December 31, 1997 and for the period from November 1, 1996 (Commencement of Operations) to December 31, 1996 and Independent Auditors' Report

ML CHESAPEAKE DIVERSIFIED L.L.C.
(A Delaware Limited Liability Company)
(In Liquidation)

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS FOR THE PERIOD FROM JANUARY 1, 1998 TO MAY 31, 1998, FOR THE YEAR ENDED DECEMBER 31, 1997 AND FOR THE PERIOD FROM NOVEMBER 1, 1996 (COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 1996:	
Statements of Financial Condition	2
Statements of Income	3
Statements of Changes in Members' Capital	4
Notes to Financial Statements	5-11

INDEPENDENT AUDITORS' REPORT

To the Members of
ML Chesapeake Diversified L.L.C. (In Liquidation):

We have audited the accompanying statements of financial condition of ML Chesapeake Diversified L.L.C. (a Delaware limited liability company; the "Company"), in liquidation, as of May 31, 1998 and December 31, 1997 and the related statements of income and changes in members' capital for the period from January 1, 1998 to May 31, 1998, for the year ended December 31, 1997 and for the period from November 1, 1996 (commencement of operations) to December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of ML Chesapeake Diversified L.L.C. (In Liquidation) as of May 31, 1998 and December 31, 1997, and the results of its operations for the period from January 1, 1998 to May 31, 1998, for the year ended December 31, 1997 and for the period from November 1, 1996 (commencement of operations) to December 31, 1996 in conformity with generally accepted accounting principles.

As discussed in Notes 1 and 2 to the financial statements, all trading operations were suspended as of May 31, 1998. Liquidation was completed on July 30, 1998. Formal dissolution was effective on October 14, 1998.

DELOITTE & TOUCHE LLP

New York, New York
October 16, 1998

ML CHESAPEAKE DIVERSIFIED L.L.C.
(A Delaware Limited Liability Company)
(In Liquidation)

STATEMENTS OF FINANCIAL CONDITION
MAY 31, 1998 AND DECEMBER 31, 1997

ASSETS	1998	1997
Accrued interest (Note 3)	$ 72,745	$ 71,406
Equity in commodity futures trading accounts:		
Cash and option premiums	16,384,123	15,538,921
Net unrealized profit on open contracts	106,572	1,584,855
TOTAL	$16,563,440	$17,195,182
LIABILITIES AND MEMBERS' CAPITAL		
LIABILITIES:		
Withdrawals payable	$16,181,857	$ 265,782
Brokerage commissions payable (Note 3)	122,074	126,690
Profit Shares payable (Note 4)	256,058	308,627
Administrative fees payable (Note 3)	3,451	3,582
Total liabilities	16,563,440	704,681
MEMBERS' CAPITAL:		
Voting Members	-	15,913,598
Non-Voting Members	-	576,903
Total Members' capital	-	16,490,501
TOTAL	$16,563,440	$17,195,182

See notes to financial statements.

ML CHESAPEAKE DIVERSIFIED L.L.C.

(A Delaware Limited Liability Company)
(In Liquidation)

STATEMENTS OF INCOME
FOR THE PERIOD FROM JANUARY 1, 1998 TO MAY 31, 1998, FOR THE YEAR ENDED DECEMBER 31, 1997 AND FOR THE PERIOD FROM NOVEMBER 1, 1996 (COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 1996

REVENUES:	1998	1997	1996
Trading profit (loss):			
Realized	$ 3,107,279	$ 1,335,899	$ 70,795
Change in unrealized	(1,478,283)	1,217,210	367,645
Total trading results	1,628,996	2,553,109	438,440
Interest income (Note 3)	357,839	927,382	170,154
Total revenues	1,986,835	3,480,491	608,594
EXPENSES:			
Brokerage commissions (Note 3)	615,028	1,646,907	359,828
Profit Shares (Note 4)	270,812	361,608	13,873
Administrative fees (Note 3)	17,572	46,611	9,248
Total expenses	903,412	2,055,126	382,949
NET INCOME	$ 1,083,423	$ 1,425,365	$ 225,645

See notes to financial statements.

ML CHESAPEAKE DIVERSIFIED L.L.C.

(A Delaware Limited Liability Company)
(In Liquidation)

STATEMENTS OF CHANGES IN MEMBERS' CAPITAL
FOR THE PERIOD FROM JANUARY 1, 1998 TO MAY 31, 1998, FOR THE YEAR ENDED DECEMBER 31, 1997 AND FOR THE PERIOD FROM NOVEMBER 1, 1996 (COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 1996

<TABLE>
<CAPTION>

<S>	Voting Members <C>	Non-Voting Members <C>	Total <C>
Initial Contributions	$ 17,859,707	$ 3,403,696	$ 21,263,403
Withdrawals	(743,910)	(50,859)	(794,769)
Net Income	191,985	33,660	225,645
MEMBERS' CAPITAL,			
DECEMBER 31, 1996	17,307,782	3,386,497	20,694,279
Withdrawals	(4,049,775)	(3,153,590)	(7,203,365)
Contributions	1,386,748	187,474	1,574,222
Net Income	1,268,843	156,522	1,425,365
MEMBERS' CAPITAL,			
DECEMBER 31, 1997	15,913,598	576,903	16,490,501
Net Income	1,047,899	35,524	1,083,423
Withdrawals	(16,961,497)	(612,427)	(17,573,924)
MEMBERS' CAPITAL,			
MAY 31, 1998	$ -	$ -	$ -

</TABLE>

See notes to financial statements.

ML CHESAPEAKE DIVERSIFIED L.L.C.
(A Delaware Limited Liability Company)
(In Liquidation)

NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD FROM JANUARY 1, 1998 TO MAY 31, 1998, FOR THE YEAR ENDED DECEMBER 31, 1997 AND FOR THE PERIOD FROM NOVEMBER 1, 1996 (COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 1996

---

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

ML Chesapeake Diversified L.L.C. (the "Company") was organized under the Delaware Limited Liability Company Act on October 23, 1996 and commenced trading activities on November 1, 1996. Effective May 31, 1998, the Company suspended trading operations (see Note 2). The Company had engaged in the speculative trading of futures, options on futures and forward contracts on a wide range of commodities. Merrill Lynch Investment Partners Inc. ("MLIP"), a wholly-owned subsidiary of Merrill Lynch Group, Inc., which in turn is a wholly-owned subsidiary of Merrill Lynch & Co., Inc. ("Merrill Lynch"), was delegated administrative authority over the Company, and Merrill Lynch Futures Inc. ("MLF"), also an affiliate of MLIP, was its commodity broker. The Company had authorized two classes of Membership Interests: Non-Voting Interests and Voting Interests (collectively, "Interests"). These two classes of Interests had common economic interests in the Company. The Non-Voting Interests, which were held by non-United States investment funds sponsored by MLIP, did not participate in any respect in the management of the Company, or engage, directly or indirectly, in, participate in or control all or any portion of the business activities or affairs of the Company. Management of the Company was vested solely in the Voting Interests, which were held by United States limited partnerships sponsored by MLIP. The Voting Members controlled all business activities and affairs of the Company by agreement of the majority in interest of such Members, subject to the trading authority vested in and delegated to Chesapeake Capital Corporation (the "Advisor" or "Chesapeake") and the administrative authority vested in and delegated to MLIP. The Members of the Company (the "Members"), each of which is a "commodity pool" sponsored by MLIP, shared in the trading profit and interest income of the Company in proportion to their respective capital accounts.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results may have differed from those estimates.

Revenue Recognition

Commodity futures, options on futures, and forward contract transactions were recorded on the trade date and open contracts were reflected in net unrealized profit on open contracts in the Statements of Financial Condition at the difference between the original contract value and the fair value. The change in net unrealized profit (loss) on open contracts from one period to the next was reflected in change in unrealized in the Statements of Income. Fair value was based on quoted market prices on the exchange or market on which the contract was traded.

Organizational Costs

MLIP paid all organizational costs relating to the Company without direct reimbursement from the Company or any Member.

Income Taxes

No provision for income taxes was made in the accompanying financial statements as each Member was individually responsible for reporting income or loss based on such Member's respective share of the Company's income and expenses as reported for income tax purposes. The Non-Voting Members were not subject to U.S. tax.

Distributions

No distributions (except upon withdrawals) were made by the Company to any Member as of May 31, 1998.

Withdrawals

Each Member was permitted to withdraw some or all of such Member's Capital at Net Asset Value as of the close of business on any business day. There were no withdrawal fees or charges.

2. LIQUIDATION OF THE COMPANY

Effective May 31, 1998, the Company suspended all trading operations and began formal liquidation of the Company. All commodity positions were liquidated or offset and no other trading occurred. In accordance with the liquidation, the Company's Advisory Agreement terminated and Members redeemed their capital. Liquidation was completed on July 30, 1998. Formal dissolution was effective on October 14, 1998.

3. RELATED PARTY TRANSACTIONS

The Company's U.S. dollar assets were maintained at MLF. On assets held in U.S. dollars, Merrill Lynch credited the Company with interest at the prevailing 91-day U.S. Treasury bill rate. The Company was credited with interest on any of its net gains actually held by Merrill Lynch in non-U.S. dollar currencies at a prevailing local rate received by Merrill Lynch. Merrill Lynch may have derived certain economic benefit, in excess of the interest which Merrill Lynch pays to the Company, from possession of such assets.

Merrill Lynch charged the Company Merrill Lynch's cost of financing realized and unrealized losses on the Company's non-U.S. dollar-denominated positions.

Following the allocation of the Company's trading profit (loss) and interest income among the Members' respective capital accounts, MLIP calculated the brokerage commissions, Profit Shares, administrative fees and other expenses due from the Company to third parties, in respect of the Company's trading on behalf of the respective Members (the Company being subject to different commissions, fees and expenses in respect of its trading as allocable to the various different Members). Such commissions, fees and expenses were specifically allocated as of the end of each accounting period (not pro rata based on the Members' respective capital accounts) to, and deducted from, the appropriate Members' capital accounts and paid out by the Company. The Company paid brokerage commissions to MLF, at flat monthly rates reflecting the fee arrangement between each Member and MLF. During the year ended December 31, 1997 and the period ended December 31, 1996, such rates

ranged from .729 of 1% (an 8.75% annual rate) to .831 of 1% (a 9.75% annual rate) of each Members' month-end assets invested in the Company. Beginning January 1, 1998, the rate was .729 of 1% (an 8.75% annual rate) of each Members' month-end assets invested in the Company.

The Company paid MLIP a monthly administrative fee of .021 of 1% (a .25% annual rate) of each Member's month-end assets invested in the Company.

Month-end assets were not reduced for purposes of calculating brokerage commissions and administrative fees by any accrued brokerage commissions, administrative fees, profit shares or other fees or charges.

MLF paid the Advisor an annual consulting fee of 2% of the Company's average month-end assets, after reduction for a portion of the brokerage commissions. Beginning January 1, 1997 the consulting fees paid by MLF to the Advisor were reduced to 1% per annum.

The Company traded forward contracts through a foreign exchange service desk (the "F/X Desk") established by MLIP. The F/X Desk gave the Company access to counterparties in addition to (but also including) Merrill Lynch International Bank ("MLIB"). MLIP or another Merrill Lynch entity charged a service fee equal to, at current exchange rates, approximately $5.00 to $12.50 on each purchase or sale (not round-turn) of a futures contract-equivalent face amount of a given currency traded in the forward markets. No service fees were charged on trades awarded to MLIB (which received bid-ask spreads on such trades).

In its exchange of futures for physical ("EFP") trading with Merrill Lynch, the Company acquired spot or forward (collectively, "cash") currency positions through the F/X Desk in the same manner and on the same terms as in the case of the Company's other F/X Desk trading. When the Company exchanged these positions for futures, there was a differential between the prices of the two positions. This differential reflected, in part, the different settlement dates of the cash and the futures contracts and prevailing interest rates, but also included a pricing spread in favor of MLIB or another Merrill Lynch entity. The Advisor made little use of EFPs.

The Company's F/X Desk service fee and EFP differential costs totaled no more than .25 of 1% per annum of the Company's average month-end assets during the Company's operation.

4. ADVISORY AGREEMENT

Pursuant to the Advisory Agreement between Chesapeake, the Company and MLIP, the Advisor determined the commodity futures, options on futures and forward contracts traded on behalf of the Company, subject to certain Company trading policies and to certain rights reserved by MLIP.

The Company paid to Chesapeake a Profit Share equal to 20% of any New Trading Profit, as defined, attributable to each Members' capital account in the Company. Profit Shares, which were calculated separately in respect of each Members' capital account, were determined as of the end of each calendar quarter prior to 1997 and annually thereafter and were also paid to Chesapeake upon the withdrawal of capital from the Company by a Member for whatever purpose, other than to pay expenses.

5. FAIR VALUE AND OFF-BALANCE SHEET RISK

The Company traded futures, options on futures and forward contracts on interest rates, stock indices, commodities, currencies, energy and metals. The Company's trading results by reporting category for the period from January 1, 1998 to May 31, 1998, for the year ended December 31, 1997 and for the period from November 1, 1996 (commencement of operations) to December 31, 1996 were as follows:

	Total Trading Results		
	1998	1997	1996
Interest Rates	$ 941,486	$ 763,346	$ 503,034
Stock Indices	333,049	666,880	(91,628)
Commodities	536,206	542,777	(388,130)
Currencies	(171,239)	671,508	422,927
Energy	317,352	(1,082,330)	(49,487)
Metals	(327,858)	990,928	41,724
	$ 1,628,996	$ 2,553,109	$ 438,440

Market Risk

Derivative instruments involve varying degrees of off-balance sheet market risk, and changes in the level or volatility of interest rates, foreign currency exchange rates or market values of the underlying financial instruments or commodities underlying such derivative instruments frequently result in changes in the Company's unrealized profit on such derivative instruments as reflected in the Statements of Financial Condition. The Company's exposure to market risk was influenced by a number of factors, including the relationships among the derivative instruments held by the Company as well as the volatility and liquidity of the markets in which such derivative instruments were traded.

MLIP, which monitored the trading of the Company in its capacity as the General Partner of the Voting Members and Sponsor of the Non-Voting Members, had procedures in place intended to control market risk, although there was no assurance that they would, in fact, have succeeded in doing so. The procedures focused primarily on monitoring the trading of the Advisor, calculating the Net Asset Value of the Company and of the Members' respective capital accounts as of the close of business on each day and reviewing outstanding positions for over-concentrations. While MLIP did not itself intervene in the markets to hedge or diversify the Company's market exposure, MLIP did consult from time to time with the Advisor concerning the possibility of the Advisor reducing trading leverage or market concentrations. However, such consultations were unusual. MLIP's basic risk control procedures consisted simply of the ongoing process of monitoring Chesapeake with the market risk controls being applied by Chesapeake.

Fair Value

The derivative instruments traded by the Company were marked to market daily with the resulting unrealized profit (loss) recorded in the Statements of Financial Condition and the related profit reflected in trading revenues in the Statements of Income.

The contract/notional values of open contracts as of May 31, 1998 and December 31, 1997 were as follows:

<TABLE>
<CAPTION>

	1998		1997	
	Commitment to Purchase (Futures, Options & Forwards)	Commitment to Sell (Futures, Options & Forwards)	Commitment to Purchase (Futures, Options & Forwards)	Commitment to Sell (Futures, Options & Forwards)
<S>	<C>	<C>	<C>	<C>
Interest Rates	$ -	$ -	$ 58,695,056	$ 18,009,766
Stock Indices	-	-	1,272,700	1,184,672
Commodities	-	-	4,584,639	7,520,083
Currencies	27,725,507	27,725,507	12,424,390	58,556,714
Energy	-	-	-	1,978,682
Metals	11,696,691	11,696,691	4,971,476	10,357,200
	$ 39,422,198	$ 39,422,198	$ 81,948,261	$ 97,607,117

</TABLE>

The contract/notional values of the Company's exchange-traded and non-exchange-traded open derivative instrument positions as of May 31, 1998 and December 31, 1997 were as follows:

<TABLE>
<CAPTION>

	1998		1997	
	Commitment to Purchase (Futures, Options & Forwards)	Commitment to Sell (Futures, Options & Forwards)	Commitment to Purchase (Futures, Options & Forwards)	Commitment to Sell (Futures, Options & Forwards)
<S>	<C>	<C>	<C>	<C>
Exchange Traded	$ -	$ -	$ 73,789,832	$ 71,082,507
Non-Exchange-Traded	39,422,198	39,422,198	8,158,429	26,524,610
	$ 39,422,198	$ 39,422,198	$ 81,948,261	$ 97,607,117

</TABLE>

The average fair values, based on contract/notional values, of the Company's derivative instrument positions which were open as of the end of each calendar month during the period from January 1, 1998 to May 31, 1998 and the year ended December 31, 1997 were as follows:

<TABLE>
<CAPTION>

	1998		1997	
	Commitment to Purchase (Futures, Options & Forwards)	Commitment to Sell (Futures, Options & Forwards)	Commitment to Purchase (Futures, Options & Forwards)	Commitment to Sell (Futures, Options & Forwards)
<S>		<C>	<C>	<C>
Interest Rates	$ 67,066,558	$ 7,255,012	$ 66,490,915	$ 33,591,146
Stock Indices	5,149,711	688,223	6,987,284	1,450,982
Commodities	904,093	10,784,647	7,427,509	3,331,339
Currencies	25,826,290	40,695,373	13,883,403	42,553,986
Energy	100,880	1,843,474	1,655,737	1,203,131
Metals	8,612,561	11,593,682	6,500,099	7,542,869
	$ 107,660,093	$ 72,860,411	$ 102,944,947	$ 89,673,453

</TABLE>

A portion of the amounts indicated as off-balance sheet risk reflects offsetting commitments to purchase and sell the same derivative instrument on the same date in the future. These commitments were economically offsetting but were not, as a technical matter, offset in the forward markets until the settlement date.

Credit Risk

The risks associated with exchange-traded contracts are typically perceived to be less than those associated with over-the-counter (non-exchange-traded) transactions, because exchanges typically (but not universally) provide clearinghouse arrangements in which the collective credit (in some cases limited in amount, in some cases not) of the members of the exchange is pledged to support the financial integrity of the exchange. In over-the-counter transactions, on the other hand, traders must rely solely on the credit of their respective individual counterparties. Margins, which may be subject to loss in the event of a default, are generally required in exchange trading, and counterparties may require margin in the over-the-counter markets.

The fair value amounts in the above tables represent the extent of the Company's market exposure in the particular class of derivative instrument listed, but not the credit risk associated with counterparty nonperformance. The credit risk associated with these instruments from counterparty nonperformance was the net unrealized profit, included on the Statements of Financial Condition.

The Company also had credit risk because the sole counterparty or broker with respect to most of the Company's assets was MLF.

The gross unrealized profit and net unrealized profit on the Company's open derivative instrument positions as of May 31, 1998 and December 31, 1997 were as follows:

<TABLE>
<CAPTION>

	1998		1997	
	Gross Unrealized Profit	Net Unrealized Profit	Gross Unrealized Profit	Net Unrealized Profit
<S>	<C>	<C>	<C>	<C>
Exchange Traded	$ -	$ -	$ 1,275,702	$ 1,079,882
Non-Exchange-Traded	1,115,292	106,572	669,503	504,973
	$ 1,115,292	$ 106,572	$ 1,945,205	$ 1,584,855

</TABLE>

The Company controlled credit risk by dealing almost exclusively with Merrill Lynch entities as brokers and counterparties.

The Company, in its normal course of business, entered into various contracts, with MLF acting as its commodity broker. Pursuant to the brokerage arrangement with MLF (which included a netting arrangement), to the extent that such trading resulted in receivables from and payables to MLF, these receivables and payables were offset and reported as a net receivable or payable.

INDEPENDENT AUDITORS' REPORT

To the Members of
ML Chesapeake Diversified L.L.C. (In Liquidation):

We have audited the accompanying statements of financial condition of ML Chesapeake Diversified L.L.C. (a Delaware limited liability company; the "Company"), in liquidation, as of May 31, 1998 and December 31, 1997 and the related statements of income and changes in members' capital for the period from January 1, 1998 to May 31, 1998, for the year ended December 31, 1997 and for the period from November 1, 1996 (commencement of operations) to December 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of ML Chesapeake Diversified L.L.C. (In Liquidation) as of May 31, 1998 and December 31, 1997, and the results of its operations for the period from January 1, 1998 to May 31, 1998, for the year ended December 31, 1997 and for the period from November 1, 1996 (commencement of operations) to December 31, 1996 in conformity with generally accepted accounting principles.

As discussed in Notes 1 and 2 to the financial statements, all trading operations were suspended as of May 31, 1998. Liquidation was completed on July 30, 1998. Formal dissolution was effective on October 14, 1998.

DELOITTE & TOUCHE LLP

New York, New York
October 16, 1998

EXHIBIT 13.01(A)

ML JWH FINANCIAL AND
METALS PORTFOLIO L.L.C.
(A Delaware Limited Liability Company)

Financial Statements for the
Years Ended December 31, 1998 and 1997
and for the period from October 1, 1996
(Commencement of Operations) to December
31, 1996, and Independent Auditors' Report

[LOGO] MERRILL LYNCH

ML JWH FINANCIAL AND METALS PORTFOLIO L.L.C.
(A Delaware Limited Liability Company)

TABLE OF CONTENTS

<TABLE>
<CAPTION>

	Page
<S>	<C>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997 AND FOR THE PERIOD FROM OCTOBER 1, 1996 (COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 1996:	
Statements of Financial Condition	2
Statements of Operations	3
Statements of Changes in Members' Capital	4
Notes to Financial Statements	5-11

</TABLE>

INDEPENDENT AUDITORS' REPORT

To the Members of
ML JWH Financial and Metals Portfolio L.L.C.:

We have audited the accompanying statements of financial condition of ML JWH Financial and Metals Portfolio L.L.C. (the "Company") as of December 31, 1998 and 1997, and the related statements of operations and of changes in members' capital for the years ended December 31, 1998 and 1997 and for the period from October 1, 1996 (commencement of operations) to December 31, 1996. These financial statements are the responsibility of Merrill Lynch Investment Partners Inc., the Company's Administrator. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of ML JWH Financial and Metals Portfolio L.L.C. as of December 31, 1998 and 1997, and the results of its operations for the years ended December 31, 1998 and 1997 and for the period from October 1, 1996 (commencement of operations) to December 31, 1996 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

New York, New York
February 4, 1999

ML JWH FINANCIAL AND METALS PORTFOLIO L.L.C.
(A Delaware Limited Liability Company)

STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 1998 AND 1997

<TABLE>
<CAPTION>

ASSETS	1998	1997
<S>	<C>	<C>
Equity in commodity futures trading accounts:		
Cash and option premiums	$ 26,100,432	$ 62,041,417
Net unrealized profit on open contracts	3,074,669	2,728,987
Accrued interest (Note 2)	102,296	278,160
TOTAL	$ 29,277,397	$ 65,048,564
LIABILITIES AND MEMBERS' CAPITAL		
LIABILITIES:		
Brokerage commissions payable (Note 2)	$ 231,621	$ 494,568
Profit Shares payable (Note 3)	-	614,420
Administrative fees payable (Note 2)	6,095	13,545
Withdrawals payable	153,482	2,567,125
Total liabilities	391,198	3,689,658
MEMBERS' CAPITAL:		
Voting Members	28,886,199	59,766,977
Non-Voting Members	-	1,591,929
Total Members' capital	28,886,199	61,358,906
TOTAL	$ 29,277,397	$ 65,048,564

</TABLE>

See notes to financial statements.

ML JWH FINANCIAL AND METALS PORTFOLIO L.L.C.
(A Delaware Limited Liability Company)

STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997 AND FOR
THE PERIOD FROM OCTOBER 1, 1996 (COMMENCEMENT OF OPERATIONS)

TO DECEMBER 31, 1996

REVENUES:	1998	1997	1996
Trading (loss) profit:			
Realized	$ (913,823)	$ 10,175,257	$ 17,860,411
Change in unrealized	345,682	2,030,416	698,571
Total trading results	(568,141)	12,205,673	18,558,982
Interest income (Note 2)	1,959,142	3,073,728	806,967
Total revenues	1,391,001	15,279,401	19,365,949
EXPENSES:			
Brokerage commissions (Note 2)	3,638,923	5,539,579	2,063,021
Profit Shares (Note 3)	332,560	1,024,612	2,313,537
Administrative fees (Note 2)	97,879	149,850	49,703
Total expenses	4,069,362	6,714,041	4,426,261
NET (LOSS) INCOME	$ (2,678,361)	$ 8,565,360	$ 14,939,688

See notes to financial statements.

ML JWH FINANCIAL AND METALS PORTFOLIO L.L.C.
(A Delaware Limited Liability Company)

STATEMENTS OF CHANGES IN MEMBERS' CAPITAL
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997
AND FOR THE PERIOD FROM OCTOBER 1, 1996 (COMMENCEMENT OF OPERATIONS)
TO DECEMBER 31, 1996

	Voting Members	Non-Voting Members	Total
Initial Contributions	$ 56,790,791	$ 7,080,836	$ 63,871,627
Contributions	1,212,016	2,017	1,214,033
Withdrawals	(17,295,297)	(1,752,897)	(19,048,194)
Net Income	13,270,063	1,669,625	14,939,688
MEMBERS' CAPITAL, DECEMBER 31, 1996	53,977,573	6,999,581	60,977,154
Contributions	6,356,012	714,303	7,070,315
Withdrawals	(8,626,795)	(6,627,128)	(15,253,923)
Net Income	8,060,187	505,173	8,565,360
MEMBERS' CAPITAL, DECEMBER 31, 1997	59,766,977	1,591,929	61,358,906
Withdrawals	(28,414,824)	(1,379,522)	(29,794,346)
Net Loss	(2,465,954)	(212,407)	(2,678,361)
MEMBERS' CAPITAL, DECEMBER 31, 1998	$ 28,886,199	$ -	$ 28,886,199

See notes to financial statements.

ML JWH FINANCIAL AND METALS PORTFOLIO L.L.C.
(A Delaware Limited Liability Company)

NOTES TO FINANCIAL STATEMENTS

---

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

ML JWH Financial and Metals Portfolio L.L.C. (the "Company") was organized under the Delaware Limited Liability Company Act on September 19, 1996 and commenced trading activities on October 1, 1996. The Company engages in the speculative trading of futures, options on futures and forward contracts on a wide range of commodities. John W. Henry & Company, Inc. (the "Advisor" or "JWH(R)") is the Advisor to the Company. Merrill Lynch Investment Partners Inc. ("MLIP"or the "Administrator"), a wholly-owned subsidiary of Merrill Lynch Group, Inc., which, in turn, is a wholly-owned subsidiary of Merrill Lynch & Co., Inc. ("Merrill Lynch"), has been delegated administrative authority over the Company. Merrill Lynch Futures Inc. ("MLF"), an affiliate of MLIP, is the Company's commodity broker. The Company has authorized two classes of Membership Interests: Non-Voting Interests and Voting Interests (collectively, "Interests"). These two classes of Interests have common economic interests in the Company, but the Non-Voting Interests, which were held by non-United States investment funds sponsored by MLIP, did not participate in any respect in the management of the Company, or engage, directly or indirectly, in, participate in or control all or any portion of the business activities or affairs of the Company. Management of the Company is vested solely in the Voting Interests, which are held by United States limited partnerships. The Voting Members control all business activities and affairs of the Company by agreement of the majority in interest of such Members, subject to the trading authority vested in and delegated to JWH and the administrative authority vested in and delegated to MLIP. The Members of the Company (the "Members"), each of which is a "commodity pool" sponsored and managed by MLIP, share in the trading profit (loss) and interest income of the Company in proportion to their respective capital accounts, although the Members are subject to somewhat different fees.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Commodity futures, options on futures and forward contract transactions are recorded on the trade date and open contracts are reflected in net unrealized profit on open contracts in the Statements of Financial Condition at the difference between the original contract value and the market value (for those commodity interests for which market quotations are readily available) or at fair value. The change in unrealized profit on open contracts from one period to the next is reflected in change in unrealized in the Statements of Operations.

Foreign Currency Transactions

The Company's functional currency is the U.S. dollar; however, it transacts business in currencies other than the U.S. dollar. Assets and liabilities denominated in currencies other than the U.S. dollar are translated into U.S. dollars at the rates in effect at the dates of the Statements of Financial Condition. Income and expense items denominated in currencies other than the U.S. dollar are translated into U.S. dollars at the rates in effect during the period. Gains and losses resulting from the translation to U.S. dollars are reported in total trading results currently.

Organizational Costs

MLIP paid all organizational costs relating to the Company without direct reimbursement from the Company or any Member.

Operating Expenses

MLIP pays for all operating costs (including all legal, accounting, printing, postage and similar administrative expenses) of the Company.

Income Taxes

No provision for income taxes has been made in the accompanying financial statements as each Member is individually responsible for reporting income or loss based on such Member's respective share of the Company's income and expenses as reported for income tax purposes.

Distributions

No distributions had been made by the Company to any Member as of December 31, 1998.

Withdrawals

Each Member may withdraw some or all of such Members' capital at the Net Asset Value as of the close of business on any business day. There are no withdrawal fees or charges.

Dissolution

The Company will terminate on September 30, 2046 or at an earlier date if certain conditions occur, as well as under certain other circumstances as set forth in the Organization Agreement.

Recently Issued Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting standard No. 133, "Accounting for Derivative Instruments and Hedging Activities" (the "Statement"). Such Statement is effective for fiscal years commencing after June 15, 1999. The Administrator does not believe that the Statement will have a significant effect on the financial statements of the Company.

2. RELATED PARTY TRANSACTIONS

The Company's U.S. dollar assets are maintained at MLF. On assets held in U.S. dollars, Merrill Lynch credits the Company with interest at the prevailing 91-day U.S. Treasury bill rate. The Company is credited with interest on any of its net gains actually held by Merrill Lynch in non-U.S. dollar currencies at a prevailing local rate received by Merrill Lynch. Merrill Lynch may derive certain economic benefit, in excess of the interest which Merrill Lynch pays to the Company, from possession of such assets.

Merrill Lynch charges the Company Merrill Lynch's cost of financing realized and unrealized losses on the Company's non-U.S. dollar-denominated positions.

Following the allocation of the Company's trading profit (loss) and interest income among the Members' respective capital accounts, MLIP calculates the brokerage commissions, Profit Shares, administrative fees and other expenses due from the Company to third parties, in respect of the Company's trading on behalf of the respective Members (the Company being subject to different commissions, fees and expenses in respect of its trading as allocable to the various different Members). Such commissions, fees, Profit Shares and expenses are specifically allocated as of the end of each accounting period (not pro rata based on the Members' respective capital accounts) to, and deducted from, the appropriate Members' capital accounts and paid out by the Company. The Company pays brokerage commissions to MLF at flat monthly rates reflecting the fee arrangement between each Member and MLF. During the period from January 1, 1998 to May 31, 1998, the year ended December 31, 1997 and the period from October 1, 1996 to December 31, 1996, such rates ranged from .646 of 1% (a 7.75% annual rate) to .979 of 1% (an 11.75% annual rate) of each Member's month-end assets invested in the Company. As of May 31, 1998, Members subject to various brokerage commission rates withdrew from the Company, and thereafter, the rate was .792 of 1% (a 9.5% annual rate).

The Company pays MLIP a monthly administrative fee of .021 of 1% (a .25% annual rate) of each Member's month-end assets. Month-end assets are not reduced for purposes of calculating brokerage commissions and administrative fees by any accrued brokerage commissions, administrative fees, Profit Shares or other fees or charges.

MLF pays the Advisor an annual consulting fee of 4% of the Company's average month-end assets, after reduction for a portion of the brokerage commissions.

Many of the Company's currency trades are executed in the spot and forward foreign exchange markets (the "FX Markets") where there are no direct execution costs. Instead, the participants, banks and dealers, including Merrill Lynch International Bank ("MLIB"), in the FX Markets take a "spread" between the prices at which they are prepared to buy and sell a particular currency and such spreads are built into the pricing of the spot or forward contracts with the Company. MLIP anticipates that some of the Company's foreign currency trades will be executed through MLIB, an affiliate of MLIP. MLIB has discontinued the operation of the foreign exchange service desk, which included seeking multiple quotes from counterparties unrelated to MLIB for a service fee and trade execution.

In its exchange of futures for physical ("EFP") trading, the Company acquires cash currency positions through banks and dealers, including Merrill Lynch. The Company pays a spread when it exchanges these positions for futures. This spread reflects, in part, the different settlement dates of the cash and the futures contracts, as well as prevailing interest rates, but also includes a pricing spread in favor of the banks and dealers, which may include a Merrill Lynch entity.

3. ADVISORY AGREEMENT

The Advisory Agreement between the Company and JWH has remained essentially unchanged since the inception of the Company. This Agreement is in effect for successive one-year terms, but, in fact, given the single advisor structure of the Company, the Company would terminate were the Advisor no longer to manage its trading. The Advisor determines the commodity futures, options on futures and forward contract trades to be made on behalf of the Company, subject to certain Company trading policies and to certain rights reserved by MLIP.

The Company pays to JWH a quarterly Profit Share equal to 15% of any New Trading Profit, as defined, attributable to each Member's capital account. Profit Shares are calculated separately in respect of each Member's Capital Account. Profit Shares are determined as of the end of each calendar quarter and are also paid to JWH upon the withdrawal of capital from the Company by a Member for whatever purpose, other than to pay expenses.

4. FAIR VALUE AND OFF-BALANCE SHEET RISK

The Company trades futures, options on futures and forward contracts on interest rates, stock indices, currencies, and metals. The Company's trading results by reporting category for the years ended December 31, 1998 and 1997 and for the period from October 1, 1996 (commencement of operations) to December 31, 1996 were as follows:

<TABLE>
<CAPTION>

	Total Trading Results		
	1998	1997	1996
<S>	<C>	<C>	<C>
Interest Rates	$ 6,730,758	$ 4,763,680	$ 10,439,465
Stock Indices	(1,829,531)	2,201,853	(371,033)
Currencies	(1,826,268)	1,794,830	5,889,115
Metals	(3,643,100)	3,445,310	2,601,435
	$ (568,141)	$ 12,205,673	$ 18,558,982

</TABLE>

Market Risk

Derivative instruments involve varying degrees of off-balance sheet market risk, and changes in the level or volatility of interest rates, foreign currency exchange rates or the market values of the underlying financial instruments or commodities underlying such derivative instruments frequently result in changes in the Company's net unrealized profit on such derivative instruments as reflected in the Statements of Financial Condition. The Company's exposure to market risk is influenced by a number of factors, including the relationships among the derivative instruments held by the Company as well as the volatility and liquidity in the markets in which such derivative instruments are traded.

MLIP, which monitors the trading of the Company in MLIP's capacity as the Company's Administrator, has procedures in place intended to control market risk exposure, although there can be no assurance that they will, in fact, succeed in doing so. These procedures focus primarily on monitoring the trading of the Advisor, calculating the Net Asset Value of the Company and of the Members' respective capital accounts as of the close of business on each day and reviewing outstanding positions for over-concentrations. While MLIP does not itself intervene in the markets to hedge or diversify the Company's market exposure, MLIP may consult with the Advisor concerning the possibility of the Advisor reducing trading leverage or market concentrations. However, such interventions are unusual. Except in cases in which it appears that JWH has begun to deviate from past practice and trading policies or to be trading erratically (which has not occurred to date), MLIP's basic risk control

procedures consist simply of the ongoing process of monitoring JWH with the market risk controls being applied by JWH.

Fair Value

The derivative instruments traded by the Company are marked to market daily with the resulting net unrealized profit recorded in the Statements of Financial Condition and the related (loss) profit reflected in trading results in the Statements of Operations.

The contract/notional values of open contracts as of December 31, 1998 and 1997 were as follows:

<TABLE>
<CAPTION>

	1998		1997	
	Commitment to Purchase (Futures, Options & Forwards)	Commitment to Sell (Futures, Options & Forwards)	Commitment to Purchase (Futures, Options & Forwards)	Commitment to Sell (Futures, Options & Forwards)
<S>	<C>	<C>	<C>	<C>
Interest Rates	$ 162,548,185	$ 173,898,152	$ 200,852,720	$ 260,424,574
Stock Indices	-	-	-	4,996,821
Currencies	10,438,700	-	69,236,628	134,487,777
Metals	-	2,284,680	8,173,620	23,636,110
	$ 172,986,885	$ 176,182,832	$ 278,262,968	$ 423,545,282

</TABLE>

Substantially all of the Company's derivative instruments outstanding as of December 31, 1998 expire within one year.

The contract/notional values of the Company's exchange-traded and non-exchange traded open derivative instrument positions as of December 31, 1998 and 1997 were as follows:

<TABLE>
<CAPTION>

	1998		1997	
	Commitment to Purchase (Futures, Options & Forwards)	Commitment to Sell (Futures, Options & Forwards)	Commitment to Purchase (Futures, Options & Forwards)	Commitment to Sell (Futures, Options & Forwards)
<S>	<C>	<C>	<C>	<C>
Exchange-Traded	$ 172,986,885	$ 176,182,832	$ 209,026,340	$ 305,091,785
Non-Exchange-Traded	-	-	69,236,628	118,453,497
	$ 172,986,885	$ 176,182,832	$ 278,262,968	$ 423,545,282

</TABLE>

The average fair values, based on contract/notional values, of the Company's derivative instruments positions which were open as of the end of each calendar month during the years ended December 31, 1998 and 1997 were as follows:

<TABLE>
<CAPTION>

	1998	1997

	Commitment to Purchase (Futures, Options & Forwards)	Commitment to Sell (Futures, Options & Forwards)	Commitment to Purchase (Futures, Options & Forwards)	Commitment to Sell (Futures, Options & Forwards)
Interest Rates	$ 300,311,628	$ 146,537,268	$ 364,504,683	$ 155,397,051
Stock Indices	4,594,819	5,430,676	13,580,756	11,229,979
Currencies	56,235,733	71,244,084	117,259,926	148,327,330
Metals	7,683,213	8,636,966	6,409,749	31,164,193
	$ 368,825,393	$ 231,848,994	$ 501,755,114	$ 346,118,553

A portion of the amounts indicated as off-balance sheet risk reflects offsetting commitments to purchase and sell the same derivative instrument on the same date in the future. These commitments are economically offsetting but are not, as a technical matter, offset in the forward markets until the settlement date.

Credit Risk

The risks associated with exchange-traded contracts are typically perceived to be less than those associated with over-the-counter (non-exchange-traded) transactions, because exchanges typically (but not universally) provide clearinghouse arrangements in which the collective credit (in some cases limited in amount, in some cases not) of the members of the exchange is pledged to support the financial integrity of the exchange. In over-the-counter transactions, on the other hand, traders must rely solely on the credit of their respective individual counterparties. Margins, which may be subject to loss in the event of a default, are generally required in exchange trading, and counterparties may require margin in the over-the-counter markets.

The fair value amounts in the above tables represent the extent of the Company's market exposure in the particular class of derivative instrument listed, but not the credit risk associated with counterparty nonperformance. The credit risk associated with these instruments from counterparty nonperformance is the net unrealized profit included on the Statements of Financial Condition.

The gross unrealized profit and net unrealized profit (loss) on the Company's open derivative instrument positions as of December 31, 1998 and 1997 were as follows:

	1998		1997	
	Gross Unrealized Profit	Net Unrealized Profit	Gross Unrealized Profit	Net Unrealized Profit (Loss)
Exchange-Traded	$ 3,511,028	$ 3,074,669	$ 4,309,342	$ 3,661,949
Non-Exchange Traded	-	-	1,587,289	(932,962)
	$ 3,511,028	$ 3,074,669	$ 5,896,631	$ 2,728,987

The Company has credit risk in respect of its counterparties and brokers, but attempts to control this risk by dealing almost exclusively with Merrill Lynch entities as counterparties and brokers.

The Company, through its normal course of business, enters into various contracts, with MLF acting as its commodity broker. Pursuant to the brokerage arrangement with MLF (which includes a netting arrangement), to the extent that such trading results in receivables from and payables to MLF, these receivables and payables are offset and reported as a net receivable or payable.

* * * * * * * * *

To the best of the knowledge and belief of the undersigned, the information contained in this report is accurate and complete.

/s/ Di Dario

Jo Ann Di Dario
Chief Financial Officer
Merrill Lynch Investment Partners Inc.

Commodity Pool Operator
ML JWH Financial and Metals Portfolio L.L.C.

ML MULTI-MANAGER PORTFOLIO LLC
(A Delaware Limited Liability Company)

Financial Statements for the period from
June 1, 1998 (Commencement of Operations)
to December 31, 1998 and
Independent Auditors' Report

ML MULTI-MANAGER PORTFOLIO LLC
(A Delaware Limited Liability Company)

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS FOR THE PERIOD FROM JUNE 1, 1998 (COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 1998:	
Statement of Financial Condition	2
Statement of Income	3
Statement of Changes in Members' Capital	4
Notes to Financial Statements	5-11

INDEPENDENT AUDITORS' REPORT

To the Members of
ML Multi-Manager Portfolio LLC:

We have audited the accompanying statement of financial condition of ML Multi-Manager Portfolio LLC (the "Company") as of December 31, 1998, and the related statements of income and of changes in members' capital for the period from June 1, 1998 (commencement of operations) to December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 financial statements present fairly, in all material respects, the financial position of ML Multi-Manager Portfolio LLC as of December 31, 1998, and the results of its operations for the period from June 1, 1998 (commencement of operations) to December 31, 1998 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE LLP

New York, New York
February 4, 1999

ML MULTI-MANAGER PORTFOLIO LLC
(A Delaware Limited Liability Company)

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 1998

ASSETS	1998
Equity in commodity futures trading accounts:	
Cash and option premiums	$ 122,916,463
Net unrealized profit on open contracts	1,970,219
Accrued interest (Note 2)	445,876
TOTAL	$ 125,332,558
LIABILITIES AND MEMBERS' CAPITAL	
LIABILITIES:	
Brokerage commissions payable (Note 2)	$ 938,848
Profit Shares payable (Note 3)	1,944,169
Administrative fees payable (Note 2)	44,772
Due to invested funds	2,021,293
Total liabilities	4,949,082
MEMBERS' CAPITAL:	
Voting Members	120,383,476
Total Members' capital	120,383,476
TOTAL	$ 125,332,558

See notes to financial statements.

ML MULTI-MANAGER PORTFOLIO LLC
(A Delaware Limited Liability Company)

STATEMENT OF INCOME
FOR THE PERIOD FROM JUNE 1, 1998 (COMMENCEMENT OF OPERATIONS)
TO DECEMBER 31, 1998

REVENUES:	1998
Trading profit:	
Realized	$ 13,866,078
Unrealized	1,970,219
Total trading results	15,836,297
Interest income (Note 2)	3,419,046
Total revenues	19,255,343
EXPENSES:	
Brokerage commissions (Note 2)	6,348,662
Profit Shares (Note 3)	2,943,598
Administrative fees (Note 2)	199,582
Total expenses	9,491,842
NET INCOME	$ 9,763,501

See notes to financial statements.

ML MULTI-MANAGER PORTFOLIO LLC
(A Delaware Limited Liability Company)

STATEMENT OF CHANGES IN MEMBERS' CAPITAL
FOR THE PERIOD FROM JUNE 1, 1998 (COMMENCEMENT OF OPERATIONS)
TO DECEMBER 31, 1998

<TABLE>
<CAPTION>

	Voting Members	Non-Voting Members	Total
Initial Contributions	$ 116,715,631	$ 5,461,563	$ 122,177,194
Additions	11,012,473	56,478	11,068,951
Withdrawals	(16,715,086)	(5,911,084)	(22,626,170)
Net Income	9,370,458	393,043	9,763,501
MEMBERS' CAPITAL, DECEMBER 31, 1998	$ 120,383,476	$ -	$ 120,383,476

</TABLE>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

ML Multi-Manager Portfolio LLC (the "Company") was organized under the Delaware Limited Liability Company Act on May 11, 1998 and commenced trading activities on June 1, 1998. The Company engages in the speculative trading of futures, options on futures, forwards and options on forward contracts on a wide range of commodities. Merrill Lynch Investment Partners Inc. ("MLIP"), a wholly-owned subsidiary of Merrill Lynch Group, Inc., which, in turn, is a wholly-owned subsidiary of Merrill Lynch & Co., Inc. ("Merrill Lynch"), has been delegated administrative authority over the Company. Merrill Lynch Futures Inc. ("MLF"), an affiliate of MLIP, is the Company's commodity broker. A portion of the Company's assets is held by a commodity broker, other than MLF, to facilitate the trading of a certain independent advisor, subject to an arrangement recognized by MLIP. The Company has authorized two classes of Membership Interests: Non-Voting Interests and Voting Interests (collectively, "Interests"). These two classes of Interests have common economic interests in the Company, but the Non-Voting Interests, which were held by non-United States investment funds sponsored by MLIP, do not participate in any respect in the management of the Company, or engage, directly or indirectly, in, participate in, or control all or any portion of the business activities or affairs of the Company. Management of the Company is vested solely in the Voting Interests, which are held by United States limited partnerships. The Voting Members control all business activities and affairs of the Company by agreement of the majority in interest of such Members, subject to the discretionary trading authority vested in and delegated to the trading advisors (the "Advisors" or "the "Trading Advisors") and the administrative authority vested in and delegated to MLIP. The Members of the Company (the "Members"), each of which is a "commodity pool" sponsored and controlled by MLIP, share in the trading profit (loss) and interest income of the Company in proportion to their respective capital accounts.

MLIP selects independent advisors to manage the Company's assets, and allocates and reallocates the Company's assets among existing, replacement and additional Advisors.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Commodity futures, options on futures, forwards and options on forward contracts are recorded on the trade date and open contracts are reflected in net unrealized profit on open contracts in the Statement of Financial Condition at the difference between the original contract value and the market value (for those commodity interests for which market quotations are readily available) or at fair value. The unrealized profit on open contracts is reflected in unrealized in the Statement of Income.

Foreign Currency Transactions

The Company's functional currency is the U.S. dollar; however, it transacts business in currencies other than the U.S. dollar. Assets and liabilities denominated in currencies other than the U.S. dollar are translated into U.S. dollars at the rates in effect at the date of the Statement of Financial Condition. Income and expense items denominated in currencies other than the U.S. dollar are translated into U.S. dollars at the rates in effect during the period. Gains and losses resulting from the translation to U.S. dollars are reported in total trading results currently.

Organizational Costs

MLIP paid all organizational costs relating to the Company without direct reimbursement from the Company or any Member.

Income Taxes

No provision for income taxes has been made in the accompanying financial statements as each Member is individually responsible for reporting income or loss based on such Member's respective share of the Company's income and expenses as reported for income tax purposes.

Distributions

No distribution (except upon withdrawals) had been made by the Company to any Member as of December 31, 1998.

Withdrawals

Each Member may withdraw some or all of such Members' capital at the Net Asset Value as of the close of business on any business day. There are no withdrawal fees or charges.

Dissolution of the Company

The Company will terminate on December 31, 2028 or at an earlier date if certain conditions occur, as well as under certain other circumstances as set forth in the Organization Agreement.

Recently Issued Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting standard No. 133, "Accounting for Derivative Instruments and Hedging Activities" (the "Statement"). Such Statement is effective for fiscal years commencing after June 15, 1999. MLIP does not believe that the Statement will have a significant effect on the financial statements of the Company.

2. RELATED PARTY TRANSACTIONS

The bulk of the Company's U.S. dollar assets are maintained at MLF. On assets held in U.S. dollars, Merrill Lynch credits the Company with interest at the prevailing 91-day U.S. Treasury bill rate. The Company is credited with interest on any of its net gains actually held by Merrill Lynch in non-

U.S. dollar currencies at a prevailing local rate received by Merrill Lynch. Merrill Lynch may derive certain economic benefit, in excess of the interest which Merrill Lynch pays to the Company, from possession of such assets.

Merrill Lynch charges the Company Merrill Lynch's cost of financing realized and unrealized losses on the Company's non-U.S. dollar-denominated positions.

Following the allocation of the Company's trading profit (loss) and interest income among the Members' respective Capital Accounts, MLIP calculates the brokerage commissions, Profit Shares, administrative fees and other expenses due from the Company to third parties, in respect of the Company's trading on behalf of the respective Members (the Company being subject to different commissions, fees and expenses in respect of its trading as allocable to the various different Members). Such brokerage commissions, fees and expenses are specifically allocated as of the end of each accounting period (not pro rata based on the Members' respective capital accounts) to, and deducted from, the appropriate Members' capital accounts and paid out by the Company. The Company pays brokerage commissions to MLF, at a flat monthly rate reflecting the fee arrangement between each Member and MLF. During the period from June 1, 1998 to December 31, 1998, such rates for Members were .729 of 1% (an 8.75% annual rate) and for a certain Member, .292 of 1% (a 3.5% annual rate) of such Member's month-end assets invested in the Company.

The Company pays MLIP a monthly administrative fee of .021 of 1% (a .25% annual rate) and for a certain Member, .083 of 1% (a 1.0% annual rate) of such Member's month-end assets. Month-end assets are not reduced for purposes of calculating brokerage commissions and administrative fees by any accrued brokerage commissions, administrative fees, Profit Shares or other fees or charges.

MLF pays the Advisors annual Consulting Fees ranging up to 2% of the Company's average month-end assets allocated to them for management after reduction for a portion of the brokerage commissions.

Many of the Company's currency trades are executed in the spot and forward foreign exchange markets (the "FX Markets") where there are no direct execution costs. Instead, the participants, banks and dealers, including Merrill Lynch International Bank ("MLIB"), in the FX Markets take a "spread" between the prices at which they are prepared to buy and sell a particular currency and such spreads are built into the pricing of the spot or forward contracts with the Company. MLIP anticipates that some of the Company's foreign currency trades will be executed through MLIB, an affiliate of MLIP. MLIB has discontinued the operation of the foreign exchange service desk, which included seeking multiple quotes from counterparties unrelated to MLIB for a service fee and trade execution.

In its exchange of futures for physical ("EFP") trading, the Company acquires cash currency positions through banks and dealers, including Merrill Lynch. The Company pays a spread when it exchanges these positions for futures. This spread reflects, in part, the different settlement dates of the cash and the futures contracts, as well as prevailing interest rates, but also includes a pricing spread in favor of the banks and dealers, which may include a Merrill Lynch entity.

3. ADVISORY AGREEMENTS

Pursuant to the Advisory Agreements among the Advisors, the Company and MLIP, the Advisors determined the commodity futures, options on futures, forwards and options on forward contracts traded on behalf of the Company, subject to certain rights reserved by MLIP. The Advisory Agreements generally terminate one year after they are entered into, subject to certain renewal rights exercisable by the Company.

The Company pays, from the Capital Account of each Member, to the Advisors quarterly or annual Profit Shares generally ranging from 15% to 24% of any New Trading Profit, as defined, recognized by each Advisor, attributable to each Member's Capital Account, considered individually irrespective of the overall performance of the such Member's Capital Account. Profit Shares, which are calculated separately in respect of each Member's Capital Account, are determined as of the end of each calendar

quarter or year and are also paid to each Advisor upon the withdrawal of capital from the Company by a Member for whatever purpose, other than to pay expenses and upon the reallocation of assets away from an Advisor.

4. FAIR VALUE AND OFF-BALANCE SHEET RISK

The Company trades futures, options on futures, forwards and options on forward contracts on interest rates, stock indices, commodities, currencies, energy and metals. The Company's trading results by reporting category for the period from June 1, 1998 to December 31, 1998 were as follows:

	1998
Interest Rates	$ 11,105,955
Stock Indices	1,487,607
Commodities	(1,086,883)
Currencies	5,054,310
Energy	534,828
Metals	(1,259,520)
	$ 15,836,297

Market Risk

Derivative instruments involve varying degrees of off-balance sheet market risk, and changes in the level or volatility of interest rates, foreign currency exchange rates or the market values of the underlying financial instruments or commodities underlying such derivative instruments frequently result in changes in the Company's unrealized profit on such derivative instruments as reflected in the Statement of Financial Condition. The Company's exposure to market risk is influenced by a number of factors, including the relationships among the derivative instruments held by the Company as well as the volatility and liquidity in the markets in which such derivative instruments are traded.

MLIP, which monitors the trading of the Company in MLIP's capacity as the administrator, has procedures in place intended to control market risk exposure, although there can be no assurance that they will, in fact, succeed in doing so. These procedures focus primarily on monitoring the trading of the Advisors, calculating the Net Asset Value of the Company and of the Members' respective capital accounts as of the close of business on each day and reviewing outstanding positions for over-concentrations. While MLIP does not itself intervene in the markets to hedge or diversify the Company's market exposure, MLIP may consult with the Advisors concerning the possibility of the Advisors reducing trading leverage or market concentrations. However, such interventions are unusual. Except in cases in which it appears that the Advisors have begun to deviate from past practice and trading policies or to be trading erratically, MLIP's basic risk control procedures consist simply of the ongoing process of monitoring the Advisors with the market risk controls being applied by the Advisors.

Fair Value

The derivative instruments traded by the Company are marked to market daily with the resulting unrealized profit recorded in the Statement of Financial Condition and the related profit reflected in trading results in the Statement of Income.

The contract/notional values of open contracts as of December 31, 1998 were as follows:

<TABLE>
<CAPTION>

	1998	
	Commitment to Purchase (Futures, Options & Forwards)	Commitment to Sell (Futures, Options & Forwards)
<S>	<C>	<C>
Interest Rates	$ 172,725,488	$ 150,086,136
Stock Indices	14,192,947	3,704,878
Commodities	2,049,190	9,818,796
Currencies	324,281,552	330,268,732
Energy	-	2,957,365
Metals	3,062,623	9,507,885
	$ 516,311,800	$ 506,343,792

</TABLE>

Substantially all of the Company's derivative instruments outstanding as of December 31, 1998 expire within one year.

The contract/notional values of the Company's exchange-traded and non-exchange traded open derivative instrument positions as of December 31, 1998 were as follows:

<TABLE>
<CAPTION>

<S>	1998 Commitment to Purchase (Futures, Options & Forwards) <C>	1998 Commitment to Sell (Futures, Options & Forwards) <C>
Exchange Traded	$ 220,954,431	$ 188,785,673
Non-Exchange-Traded	295,357,369	317,558,119
	$ 516,311,800	$ 506,343,792

</TABLE>

The average fair values, based on contract/notional values, of the Company's derivative instrument positions which were open as of the end of each calendar month during the period from June 1, 1998 (commencement of operations) to December 31, 1998 were as follows:

	1998 Commitment to Purchase (Futures, Options & Forwards)	1998 Commitment to Sell (Futures, Options & Forwards)
Interest Rates	$ 338,431,556	$ 129,323,310
Stock Indices	12,109,631	7,830,657
Commodities	10,565,592	14,601,554
Currencies	316,276,954	306,680,060
Energy	3,089,967	5,895,385
Metals	14,005,485	19,172,515
	$ 694,479,185	$ 483,503,481

A portion of the amounts indicated as off-balance sheet risk reflects offsetting commitments to purchase and sell the same derivative instrument on the same date in the future. These commitments are economically offsetting but are not, as a technical matter, offset in the forward markets until the settlement date.

Credit Risk

The risks associated with exchange-traded contracts are typically perceived to be less than those associated with over-the-counter (non-exchange-traded) transactions, because exchanges typically (but not universally) provide clearinghouse arrangements in which the collective credit (in some cases limited in amount, in some cases not) of the members of the exchange is pledged to support the financial integrity of the exchange. In over-the-counter transactions, on the other hand, traders must rely solely on the credit of their respective individual counterparties. Margins, which may be subject to loss in the event of a default, are generally required in exchange trading, and counterparties may require margin in the over-the-counter markets.

The fair value amounts in the above tables represent the extent of the Company's market exposure in the particular class of derivative instrument listed, but not the credit risk associated with counterparty nonperformance. The credit risk associated with these instruments from counterparty nonperformance is the net unrealized profit included on the Statement of Financial Condition.

The gross unrealized profit and net unrealized profit on the Company's open derivative instrument positions as of December 31, 1998 were as follows:

	1998 Gross Unrealized Profit	1998 Net Unrealized Profit
Exchange Traded	$2,565,566	$1,803,512
Non-Exchange Traded	6,481,087	166,707

$9,046,653	$1,970,219
==============	==============

The Company has credit risk in respect of its counterparties and brokers, but attempts to control this risk by dealing almost exclusively with Merrill Lynch entities as counterparties and brokers.

The Company, in its normal course of business, enters into various contracts, with MLF acting as its commodity broker. Pursuant to the brokerage arrangement with MLF (which includes a netting arrangement), to the extent that such trading results in receivables from and payables to MLF, these receivables and payables are offset and reported as a net receivable or payable.

* * * * * * * *

To the best of the knowledge and belief of the undersigned, the information contained in this report is accurate and complete.

/s/ Di Dario

Jo Ann Di Dario
Chief Financial Officer
Merrill Lynch Investment Partners Inc.
Commodity Pool Operator of
ML MULTI-MANAGER PORTFOLIO LLC

<TABLE> <S> <C>

<ARTICLE> BD

<S>	<C>	<C>
<PERIOD-TYPE>	12-MOS	12-MOS
<FISCAL-YEAR-END>	DEC-31-1998	DEC-31-1997
<PERIOD-START>	JAN-01-1998	JAN-01-1997
<PERIOD-END>	DEC-31-1998	DEC-31-1997
<CASH>	0	0
<RECEIVABLES>	528,786	20,346,863
<SECURITIES-RESALE>	0	0
<SECURITIES-BORROWED>	0	0
<INSTRUMENTS-OWNED>	18,934,681	6,996,472
<PP&E>	0	0
<TOTAL-ASSETS>	19,463,467	27,343,335
<SHORT-TERM>	0	0
<PAYABLES>	528,786	767,052
<REPOS-SOLD>	0	0
<SECURITIES-LOANED>	0	0
<INSTRUMENTS-SOLD>	0	0
<LONG-TERM>	0	0
<PREFERRED-MANDATORY>	0	0
<PREFERRED>	0	0
<COMMON>	0	0
<OTHER-SE>	18,934,681	26,576,283
<TOTAL-LIABILITY-AND-EQUITY>	19,463,467	27,343,335
<TRADING-REVENUE>	(1,223,878)	4,836
<INTEREST-DIVIDENDS>	396,925	1,118,910
<COMMISSIONS>	662,247	1,936,603
<INVESTMENT-BANKING-REVENUES>	0	0
<FEE-REVENUE>	0	0
<INTEREST-EXPENSE>	0	0
<COMPENSATION>	0	0
<INCOME-PRETAX>	(979,969)	(58,822)
<INCOME-PRE-EXTRAORDINARY>	(979,969)	(58,822)
<EXTRAORDINARY>	0	0
<CHANGES>	0	0
<NET-INCOME>	(979,969)	(58,822)
<EPS-PRIMARY>	(8.19)	(0.39)
<EPS-DILUTED>	(8.19)	(0.39)

</TABLE>