

# SECURITIES AND EXCHANGE COMMISSION

## FORM 485BPOS

Post-effective amendments [Rule 485(b)]

Filing Date: **1994-01-14**  
SEC Accession No. **0000950112-94-000082**

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### FILER

#### **MERRILL LYNCH INTERNATIONAL EQUITY FUND**

CIK: **882533** | State of Incorpor.: **MA** | Fiscal Year End: **1231**  
Type: **485BPOS** | Act: **33** | File No.: **033-44917** | Film No.: **94501560**

Mailing Address  
*P.O. BOX 9011  
PRINCETON NJ 08543-9011*

Business Address  
*800 SCUDDERS MILL ROAD  
BOX 9011  
PRINCETON NJ 08543  
6092822000*

SECURITIES ACT FILE NO. 33-44917  
INVESTMENT COMPANY ACT FILE NO. 811-6521

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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
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<TABLE>		<C>
<S>	FORM N-1A	
	REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933	X
	PRE-EFFECTIVE AMENDMENT NO.	/ /
	POST-EFFECTIVE AMENDMENT NO. 1	X
	AND/OR	
	REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940	X
	AMENDMENT NO. 5	X
	(CHECK APPROPRIATE BOX OR BOXES.)	
</TABLE>		

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MERRILL LYNCH  
INTERNATIONAL EQUITY FUND  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN CHARTER)

800 SCUDDERS MILL ROAD  
PLAINSBORO, NEW JERSEY 08536  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE (609) 282-2800)  
ARTHUR ZEIKEL

MERRILL LYNCH INTERNATIONAL EQUITY FUND  
800 SCUDDERS MILL ROAD, PLAINSBORO, NEW JERSEY  
MAILING ADDRESS: BOX 9011, PRINCETON, NEW JERSEY 08543-9011  
(NAME AND ADDRESS OF AGENT FOR SERVICE)

COPIES TO:

<TABLE>		<C>
<S>	PHILIP L. KIRSTEIN, ESQ. MERRILL LYNCH ASSET MANAGEMENT P.O. BOX 9011 PRINCETON, NEW JERSEY 08543-9011	COUNSEL FOR THE FUND: BROWN & WOOD ONE WORLD TRADE CENTER NEW YORK, NEW YORK 10048-0557 ATTENTION: THOMAS R. SMITH, JR., ESQ. FRANK P. BRUNO, ESQ.
</TABLE>		

IT IS PROPOSED THAT THIS FILING WILL BECOME EFFECTIVE (CHECK APPROPRIATE BOX)

X IMMEDIATELY UPON FILING PURSUANT TO PARAGRAPH (B)  
/ / ON (DATE) PURSUANT TO PARAGRAPH (B)

/ / 60 DAYS AFTER FILING PURSUANT TO PARAGRAPH (A)  
/ / ON (DATE) PURSUANT TO PARAGRAPH (A) OF RULE 485.

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THE REGISTRANT HAS REGISTERED AN INDEFINITE NUMBER OF ITS CLASS A AND CLASS B SHARES OF BENEFICIAL INTEREST UNDER THE SECURITIES ACT OF 1933 PURSUANT TO RULE 24F-2 UNDER THE INVESTMENT COMPANY ACT OF 1940. THE REGISTRANT COMMENCED OPERATIONS ON JULY 30, 1993, AND HAS NOT YET COMPLETED ITS INITIAL FISCAL YEAR OF OPERATIONS. THE REGISTRANT ANTICIPATES THAT ITS RULE 24F-2 NOTICE FOR ITS FIRST FISCAL YEAR WILL BE FILED NOT LATER THAN TWO MONTHS AFTER THE CLOSE OF SUCH FISCAL YEAR.

MERRILL LYNCH INTERNATIONAL EQUITY FUND  
 REGISTRATION STATEMENT ON FORM N-1A  
 CROSS REFERENCE SHEET

<S>	N-1A ITEM NO.	LOCATION
<C>		<C>
PART A		
Item 1.	Cover Page.....	Cover Page
Item 2.	Synopsis.....	Fee Table; Alternative Sales Arrangements
Item 3.	Condensed Financial Information.....	Financial Highlights
Item 4.	General Description of Registrant.....	Risks and Special Considerations; Investment Objective and Policies; Additional Information
Item 5.	Management of the Fund.....	Fee Table; Investment Objective and Policies; Portfolio Transactions; Management of the Fund; Inside Back Cover Page
Item 6.	Capital Stock and Other Securities.....	Cover Page; Additional Information
Item 7.	Purchase of Securities Being Offered.....	Cover Page; Fee Table; Alternative Sales Arrangements; Purchase of Shares; Shareholder Services; Additional Information; Inside Back Cover Page
Item 8.	Redemption or Repurchase.....	Fee Table; Alternative Sales Arrangements; Shareholder Services; Purchase of Shares; Redemption of Shares
Item 9.	Pending Legal Proceedings.....	Not Applicable
PART B		
Item 10.	Cover Page.....	Cover Page
Item 11.	Table of Contents.....	Back Cover Page
Item 12.	General Information and History.....	Not Applicable
Item 13.	Investment Objectives and Policies.....	Investment Objective and Policies
Item 14.	Management of the Fund.....	Management of the Fund
Item 15.	Control Persons and Principal Holders of Securities.....	Management of the Fund
Item 16.	Investment Advisory and Other Services.....	Management of the Fund; Purchase of Shares; General Information
Item 17.	Brokerage Allocation and Other Practices....	Portfolio Transactions and Brokerage
Item 18.	Capital Stock and Other Securities.....	General Information
Item 19.	Purchase, Redemption and Pricing of Securities Being Offered.....	Purchase of Shares; Redemption of Shares; Determination of Net Asset Value; Shareholder Services; General Information
Item 20.	Tax Status.....	Dividends and Distributions; Taxes
Item 21.	Underwriter.....	Purchase of Shares
Item 22.	Calculation of Performance Data.....	Performance Data
Item 23.	Financial Statements.....	Statement of Assets and Liabilities; Financial Statements (unaudited)
PART C		
Information required to be included in Part C is set forth under the appropriate Item, so numbered, in Part C to this Registration Statement.		

PROSPECTUS  
 JANUARY 14, 1994

MERRILL LYNCH INTERNATIONAL EQUITY FUND  
 BOX 9011, PRINCETON, NEW JERSEY 08543-9011 . PHONE NO. (609) 282-2800

Merrill Lynch International Equity Fund (the "Fund") is a diversified, open-end management investment company seeking capital appreciation and, secondarily, income by investing in a diversified portfolio of equity securities of issuers located in countries other than the United States. The Fund is designed for investors seeking to complement their U.S. holdings through foreign equity investments. The Fund should be considered as a vehicle for diversification and not as a balanced investment program. Investments may be shifted among the various equity markets of the world outside of the U.S. depending upon management's outlook with respect to prevailing trends and developments. It is anticipated that a substantial portion of the Fund's assets will be invested in the developed countries of Europe and the Far East and that a significant portion of its assets also may be invested in developing countries. The Fund may employ a variety of investments and techniques to hedge against market and currency risk. There can be no assurance that the Fund's

investment objective will be achieved. Investments on an international basis in foreign securities markets involve certain risk factors. See "Risks and Special Considerations" below.

The Fund offers two classes of shares which may be purchased at a price equal to the next determined net asset value per share, plus a sales charge

which, at the election of the purchaser, may be imposed (i) at the time of purchase (the "Class A shares") or (ii) on a deferred basis (the "Class B shares"). The original charges to which the Class B shares are subject shall consist of a contingent deferred sales charge which may be imposed on redemptions made within four years of purchase and an ongoing account maintenance fee and distribution fee. The Fund is presently considering extending the period of time during which redemptions of Class B shares will be subject to the contingent deferred

(Continued on next page)

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THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.  
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This Prospectus is a concise statement of information about the Fund that is relevant to making an investment in the Fund. This Prospectus should be retained for future reference. A statement containing additional information about the Fund, dated January 14, 1994 (the "Statement of Additional Information"), has been filed with the Securities and Exchange Commission and is available, without charge, by calling or by writing the Fund at the above telephone number or address. The Statement of Additional Information is hereby incorporated by reference into this Prospectus.  
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INVESTMENT ADVISER:

MERRILL LYNCH ASSET MANAGEMENT

DISTRIBUTOR:

MERRILL LYNCH FUNDS DISTRIBUTOR, INC.

(Continued from Cover Page)

sales charge. If such period is lengthened, the disclosure in the prospectus would be appropriately revised. Also, any Class B shares purchased prior to such change would be subject to the Fund's contingent deferred sales charge schedule as provided in the Fund's prospectus at the time of the purchase of such shares, instead of any longer period. The ability to purchase either Class A shares or Class B shares permits an investor to choose the method of purchasing shares that is most beneficial given the amount of the purchase, the length of time the investor expects to hold the shares and other circumstances. Class A shares pay an ongoing account maintenance fee at the annual rate of 0.25% of the Fund's average daily net assets attributable to Class A shares; Class B shares pay an ongoing account maintenance fee and an ongoing distribution fee at the annual rates of 0.25% and 0.75%, respectively, of the Fund's average daily net assets attributable to the Class B shares. Investors should understand that the purpose and function of the deferred sales charges and account maintenance fee with respect to the Class B shares are the same as those of the initial sales charge and account maintenance fee with respect to the Class A shares. Investors should also understand that over time the deferred sales charges and account maintenance fee related to Class B shares may exceed the initial sales charge and account maintenance fee with respect to Class A shares. See "Alternative Sales Arrangements" on page 4.

Each Class A share and Class B share represents an identical interest in the investment portfolio of the Fund and has the same rights, except that Class B shares bear the expenses of the account maintenance and distribution fees and certain other costs resulting from the deferred sales charge arrangement, which will cause Class B shares to have a higher expense ratio and to pay lower dividends than Class A shares, which also bear the expense of an account maintenance fee. The two classes also have different exchange privileges.

The Fund has received an order from the Securities and Exchange Commission permitting the issuance and sale of the Class A shares and Class B shares. The Fund has applied for an additional order from the Securities and Exchange Commission to issue additional classes of shares also representing interests in the Fund. If such order is received, it is presently expected that the Fund would issue additional class(es) of shares with different sales arrangements than those for Class A shares and Class B shares. There can be no assurance that the additional order will be granted.

Shares may be purchased directly from Merrill Lynch Funds Distributor, Inc. (the "Distributor"), Box 9011, Princeton, New Jersey 08543-9011 ((609) 282-2800), or from securities dealers which have entered into selected dealers agreements with the Distributor, including Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"). The minimum initial purchase is \$1,000, and the minimum subsequent purchase is \$50, except that for retirement plans the minimum initial purchase is \$250, and the minimum subsequent purchase is \$1. Merrill Lynch may charge its customers a processing fee (presently \$4.85) for confirming purchases and repurchases. Purchases and redemptions directly through the Fund's transfer agent are not subject to the processing fee. See "Purchase of Shares" and "Redemption of Shares".

FEE TABLE

A general comparison of the sales arrangements and other nonrecurring and recurring expenses applicable to Class A shares and Class B shares follows:

	CLASS A SHARES INITIAL SALES CHARGE ALTERNATIVE		CLASS B SHARES DEFERRED SALES CHARGE ALTERNATIVE	
	<C>	<C>	<C>	<C>
<S>				
SHAREHOLDER TRANSACTION EXPENSES:				
Maximum Sales Charge Imposed on Purchases (as a percentage of offering price).....		6.50 (a)		None
Sales Charge Imposed on Dividend Reinvestments.....		None		None
Deferred Sales Charge (as a percentage of original purchase price or redemption proceeds, whichever is lower).....		None (f)		4.0% during the first year, decreasing 1.0% annually to 0% after the fourth year (b)
Exchange Fee.....		None		None
ANNUAL FUND OPERATING EXPENSES (AS A PERCENTAGE OF AVERAGE NET ASSETS):				
Investment Advisory Fees (c).....		0.75%		0.75%
Rule 12b-1 Fees (d).....		0.25%		1.00% (g)
Other Expenses				
Shareholder Servicing Costs (e).....		0.09%		0.11%
Custodian Fees.....		0.25%		0.25%
Other.....		0.10%		0.10%
		---		---
Total Other Expenses.....		0.44%		0.46%
		----		----
Total Fund Operating Expenses.....		1.44%		2.21%
		----		----
		----		----

</TABLE>

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(a)	Reduced for purchases of \$10,000 and over, decreasing to 0.75% for purchases of \$1,000,000 and over. Certain investors making purchases of \$1,000,000 and over may, however, pay a contingent deferred sales charge ranging from a high of 1.00% to a low of 0.25% of amounts redeemed within the first year after purchase in lieu of the 0.75% initial sales charge. See "Purchase of Shares--Initial Sales Charge Alternative--Class A Shares"---page 20.
(b)	See "Purchase of Shares--Deferred Sales Charge Alternative--Class B Shares"---page 21.
(c)	See "Management of the Fund--Advisory and Management Arrangements"---page 14.
(d)	See "Purchase of Shares--Alternative Sales Arrangements--Distribution Plans"---page 18.
(e)	See "Management of the Fund--Transfer Agency Services"---page 16.
(f)	Certain investors making purchases of \$1,000,000 and over may, however, pay a contingent deferred sales charge ranging from a high of 1.00% to a low of 0.25% of amounts redeemed within the first year after purchase in lieu of the 0.75% initial sales charge. See "Purchase of Shares--Initial Sales Charge Alternative--Class A Shares"---page 20.
(g)	This amount represents the 0.25% account maintenance fee and the 0.75% distribution fee applicable to Class B shares of the Fund.

</TABLE>

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CUMULATIVE  
EXPENSES PAID  
FOR THE PERIOD OF:  
1 YEAR      3 YEARS  
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EXAMPLE:

An investor would pay the following expenses on a \$1,000 investment including, for Class A shares, the maximum \$65 front-end sales charge and assuming (1) an operating expense ratio of 1.44% for Class A shares and 2.21% for Class B shares, (2) a 5% annual return throughout the periods and (3) redemption at the end of the period:

Class A.....	\$	78.70	\$	107.59
Class B.....	\$	62.41	\$	89.12

An investor would pay the following expenses on the same \$1,000 investment assuming no redemption at the end of the period:

Class A.....	\$	78.70	\$	107.59
Class B.....	\$	22.41	\$	69.12

</TABLE>

The foregoing Fee Table is intended to assist investors in understanding the costs and expenses that a shareholder in the Fund will bear directly or indirectly. The expenses set forth under "Other Expenses" are based on estimated amounts through the end of the Fund's first fiscal year on an annualized basis. The Example set forth above assumes reinvestment of all dividends and distributions and utilizes a 5% annual rate of return as mandated by Securities and Exchange Commission regulations. THE EXAMPLE SHOULD NOT BE CONSIDERED A REPRESENTATION OF PAST OR FUTURE EXPENSES OR ANNUAL RATES OF RETURN, AND ACTUAL EXPENSES OR ANNUAL RATES OF RETURN MAY BE MORE OR LESS THAN THOSE ASSUMED FOR PURPOSES OF THE EXAMPLE. Class B shareholders who hold their shares for an extended period of time may pay more in Rule 12b-1 distribution fees than the economic equivalent of the maximum front-end sales charges permitted under the Rules of Fair Practice of the National Association of Securities Dealers, Inc. Merrill Lynch may charge its customers a processing fee (presently \$4.85) for confirming purchases and repurchases. Purchases and redemptions directly through the Fund's transfer agent are not subject to the processing charge. See "Purchase of Shares" and "Redemption of Shares".

ALTERNATIVE SALES ARRANGEMENTS

Shares of the Fund may be purchased at a price equal to the next determined net asset value per share, plus a sales charge which, at the election of the purchaser, may be imposed either (i) at the time of the purchase (the "initial sales charge alternative") or (ii) on a deferred basis (the "deferred sales charge alternative").

**Class A Shares.** An investor who elects the initial sales charge alternative acquires Class A shares. Class A shares incur a sales charge when they are purchased and are subject to an ongoing account maintenance fee of 0.25% of the Fund's average net assets attributable to the Class A shares. Although Class A shares incur a sales charge when they are purchased, they enjoy the benefit of not being subject to the ongoing distribution fee to which Class B shares are subject or any sales charge when they are redeemed. Certain purchases of Class A shares qualify for reduced initial sales charges. See "Purchase of Shares".

**Class B Shares.** An investor who elects the deferred sales charge alternative acquires Class B shares. Class B shares do not incur a sales charge when they are purchased, but they are subject to ongoing account maintenance and distribution fees of 0.25% and 0.75%, respectively, of the Fund's average net assets attributable to the Class B shares and a sales charge if they are redeemed within four years of purchase. The Fund is presently considering extending the period of time during which redemptions of Class B shares will be subject to the contingent deferred sales charge. If such period is lengthened, the disclosure in the prospectus would be appropriately revised. Also, any Class B shares purchased prior to such change would be subject to the Fund's contingent deferred sales charge schedule as provided in the Fund's prospectus at the time of the purchase of such shares, instead of any longer period. Class B shares enjoy the benefit of permitting all of the investor's dollars to work from the time the investment is made. The ongoing distribution fee paid by Class B shares will cause such shares to have a higher expense ratio and to pay lower dividends than Class A shares. Both Class A shares and Class B shares pay an ongoing account maintenance fee. Payment of the distribution fee is subject to certain limits as set forth under "Purchase of Shares-Deferred Sales Charge Alternative-Class B Shares".

As an illustration, investors who qualify for significantly reduced sales charges might elect the initial sales charge alternative because similar sales charge reductions are not available for purchases under the deferred sales charge alternative. Shares acquired under the initial sales charge alternative would be subject to an ongoing account maintenance fee that is lower than the

sum of the ongoing account maintenance fee and distribution fee on Class B shares. However, because initial sales charges are deducted at the time of purchase, such investors would not have all of their funds invested initially. Investors not qualifying for reduced initial sales charges who expect to maintain their investment for an extended period of time might also elect the initial sales charge alternative because over time the accumulated continuing account maintenance and distribution fees on Class B shares may exceed the initial sales charge and ongoing account maintenance fee on Class A shares. Again, however, such investors must weigh this consideration against the fact that not all of their funds will be invested initially. Furthermore, the ongoing account maintenance and distribution fees will be offset to the extent any return is realized on the additional funds initially invested under the deferred sales charge alternative. However, there can be no assurance as to the return, if any, which will be realized on such additional funds. Certain other investors might determine it to be more advantageous to have all their funds invested initially, although remaining subject to continued account maintenance and distribution fees and, for a four-year period of time, a contingent deferred sales charge.

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The distribution expenses incurred by the Distributor and dealers (primarily Merrill Lynch) in connection with the sale of the shares will be paid, in the case of the Class A shares, from the proceeds of the initial sales charge and ongoing account maintenance fee, and in the case of the Class B shares, such distribution expenses will be paid from the proceeds of the ongoing account maintenance and distribution fees and the contingent deferred sales charge incurred upon redemption within four years of purchase. Sales personnel may receive different compensation for selling Class A or Class B shares. Investors should understand that the purpose and function of the deferred sales charges and account maintenance fee with respect to the Class B shares are the same as those of the initial sales charge and account maintenance fee with respect to the Class A shares.

Dividends paid by the Fund with respect to Class A and Class B shares, to the extent any dividends are paid, will be calculated in the same manner at the same time on the same day and will be in the same amount, except that account maintenance and distribution fees and any incremental transfer agency costs relating to Class B shares will be borne exclusively by that class, and the account maintenance fee relating to Class A shares will be borne exclusively by that class. See "Additional Information--Determination of Net Asset Value". Class A and Class B shareholders of the Fund each have an exchange privilege for Class A and Class B shares, respectively, of certain other mutual funds sponsored by Merrill Lynch. Class A and Class B shareholders of the Fund may also exchange their shares for shares of certain money market funds sponsored by Merrill Lynch. See "Shareholder Services--Exchange Privilege".

The Trustees of the Fund have determined that currently no conflict of interest exists between the Class A and Class B shares. On an ongoing basis, the Trustees of the Fund, pursuant to their fiduciary duties under the Investment Company Act of 1940, as amended (the "Investment Company Act"), and state laws, will seek to assure that no such conflict arises.

The Fund has received an order from the Securities and Exchange Commission permitting the issuance and sale of two classes of shares, namely Class A shares and Class B shares. The Fund has applied for an additional order from the Securities and Exchange Commission to issue additional classes of shares also representing interests in the Fund. If such order is received, it is presently expected that the Fund would issue additional class(es) of shares with different sales arrangements than those for Class A shares and Class B shares. There can be no assurance that the additional order will be granted.

THE ALTERNATIVE SALES ARRANGEMENTS PERMIT AN INVESTOR TO CHOOSE THE METHOD OF PURCHASING SHARES THAT IS MOST BENEFICIAL GIVEN THE AMOUNT OF THE PURCHASE, THE LENGTH OF TIME THE INVESTOR EXPECTS TO HOLD THE SHARES AND OTHER CIRCUMSTANCES. INVESTORS SHOULD DETERMINE WHETHER UNDER THEIR PARTICULAR CIRCUMSTANCES IT IS MORE ADVANTAGEOUS TO INCUR AN INITIAL SALES CHARGE AND AN ACCOUNT MAINTENANCE FEE OR TO HAVE THE ENTIRE INITIAL PURCHASE PRICE INVESTED IN THE FUND WITH THE INVESTMENT THEREAFTER BEING SUBJECT TO ONGOING ACCOUNT MAINTENANCE AND DISTRIBUTION FEES. TO ASSIST INVESTORS IN MAKING THIS DETERMINATION, THE FEE TABLE ON PAGE 3 SETS FORTH THE CHARGES APPLICABLE TO EACH CLASS OF SHARES, AND A DISCUSSION OF RELEVANT FACTORS IN MAKING SUCH DETERMINATION IS SET FORTH UNDER "PURCHASE OF SHARES-- ALTERNATIVE SALES ARRANGEMENTS" ON PAGE 17.

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FINANCIAL HIGHLIGHTS  
(UNAUDITED)

The financial information in the table below has not been audited. Unaudited financial statements for the period July 30, 1993 (commencement of

operations) to November 30, 1993, are included in the Statement of Additional Information. The following per share data and ratios have been derived from information provided in the financial statements.

<TABLE>  
<CAPTION>

	FOR THE PERIOD	
	JULY 30, 1993+ TO NOVEMBER 30, 1993	
<S>	<C> CLASS A	<C> CLASS B++
INCREASE IN NET ASSET VALUE:		
Net Asset Value, Beginning of Period.....	\$ 10.00	\$ 10.00
Per Share Operating Performance:		
Investment income (loss)--net.....	.01	(.01)
Realized and unrealized gain on investments and foreign currency transactions--net...	.30	.30
Total from investment operations.....	.31	.29
Net Asset Value, End of Period.....	\$ 10.31	\$ 10.29
Total Investment Return**.....	3.10%+++	2.90%+++
Ratios to Average Net Assets:		
Expenses excluding maintenance and distribution fees.....	1.19%*	1.21%*
Expenses.....	1.44%*	2.21%*
Investment income--net.....	.26%*	(.56)%*
Supplemental Data:		
Net assets, end of period (in thousands).....	\$ 111,454	\$ 398,519
Portfolio Turnover Rate.....	17.31%	17.31%

</TABLE>

- + Commencement of Operations.
- ++ Based on average shares outstanding during the period.
- +++ Aggregate total investment return.
- \* Annualized.
- \*\* Total investment returns exclude the effects of sales loads.

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#### RISKS AND SPECIAL CONSIDERATIONS

International Investing. Investments on an international basis involve certain risks not involved in domestic investment, including fluctuations in foreign exchange rates, future political and economic developments, different legal systems and the existence or possible imposition of exchange controls or other foreign or U.S. governmental laws or restrictions applicable to such investments. Securities prices in different countries are subject to different economic, financial, political and social factors. Because the Fund will invest in securities denominated or quoted in currencies other than the U.S. dollar, changes in foreign currency exchange rates may affect the value of securities in the portfolio and the unrealized appreciation or depreciation of investments insofar as U.S. investors are concerned. Foreign currency exchange rates are determined by forces of supply and demand in the foreign exchange markets. These forces are, in turn, affected by international balance of payments and other economic and financial conditions, government intervention, speculation and other factors. With respect to certain countries, there may be the possibility of expropriation of assets, confiscatory taxation, high rates of inflation, political or social instability or diplomatic developments which could affect investment in those countries. In addition, certain foreign investments may be subject to foreign withholding taxes. As a result, management of the Fund may determine that, notwithstanding otherwise favorable investment criteria, it may not be practicable or appropriate to invest in a particular country.

Most of the securities held by the Fund will not be registered with the Securities and Exchange Commission nor will the issuers thereof be subject to



the reporting requirements of such agency. Accordingly, there may be less publicly available information about a foreign company than about a U.S. company, and foreign companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to those to which U.S. companies are subject.

Foreign financial markets, while often growing in volume, have, for the most part, substantially less volume than U.S. markets, and securities of many foreign companies are less liquid and their prices may be more volatile than securities of comparable domestic companies. Such markets have different clearance and settlement procedures, and in certain markets there have been times when settlements have been unable to keep pace with the volume of securities transactions, making it difficult to conduct such transactions. Further, satisfactory custodial services for investment securities may not be available in some countries having smaller capital markets, which may result in the Fund incurring additional costs and delays in transporting and custodizing such securities outside such countries. Delays in settlement could result in temporary periods when assets of the Fund are uninvested and no return is earned thereon. The inability of the Fund to make intended security purchases due to settlement problems could result in temporary periods when assets of the Fund are uninvested and no return is earned thereon. The inability of the Fund to make intended security purchases due to settlement problems could cause the Fund to miss attractive investment opportunities. Inability to dispose of a portfolio security due to settlement problems either could result in losses to the Fund due to subsequent declines in value of the portfolio security or, if the Fund has entered into a contract to sell the security, could result in possible liability to the purchaser. Brokerage commissions and other transaction costs on foreign securities exchanges are generally higher than in the U.S. There is generally less government supervision and regulation of exchanges, brokers and issuers in foreign countries than there is in the U.S.

It is anticipated that a significant portion of the Fund's assets may be invested in the developing countries of the world, including, but not limited to, countries located in Eastern Europe, Latin America and the Far East. The risks noted above as well as in "Restrictions on Foreign Investment" below are often heightened for investments in developing countries.

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**Restrictions on Foreign Investment.** Some countries prohibit or impose substantial restrictions on investments in their capital markets, particularly their equity markets, by foreign entities such as the Fund. As illustrations, certain countries require governmental approval prior to investments by foreign persons, or limit the amount of investment by foreign persons in a particular company, or limit the investment by foreign persons in a company to only a specific class of securities which may have less advantageous terms than securities of the company available for purchase by nationals.

A number of countries, such as South Korea, Taiwan and Thailand, have authorized the formation of closed-end investment companies to facilitate indirect foreign investment in their capital markets. In accordance with the Investment Company Act, the Fund may invest up to 10% of its total assets in securities of closed-end investment companies. This restriction on investments in securities of closed-end investment companies may limit opportunities for the Fund to invest indirectly in certain smaller capital markets. Shares of certain closed-end investment companies may at times be acquired only at market prices representing premiums to their net asset values. If the Fund acquires shares in closed-end investment companies, shareholders would bear both their proportionate share of expenses in the Fund (including investment advisory fees) and, indirectly, the expenses of such closed-end investment companies. The Fund also may seek, at its own cost, to create its own investment entities under the laws of certain countries.

In some countries, banks or other financial institutions may constitute a substantial number of the leading companies or companies with the most actively traded securities. Also, the Investment Company Act limits the Fund's ability to invest in any equity security of an issuer which, in its most recent fiscal year, derived more than 15% of its revenues from "securities related activities", as defined by the rules thereunder. These provisions may also restrict the Fund's investments in certain foreign banks and other financial institutions.

**Hedging Strategies.** The Fund may engage in various portfolio strategies to seek to hedge its portfolio against movements in the equity markets and exchange rates between currencies by the use of options, futures and options on futures. Utilization of options and futures transactions involves the risk of imperfect correlation in movements in the price of options and futures and movements in the price of the securities or currencies which are the subject of the hedge. Options and futures transactions in foreign markets are also subject to the risk factors associated with foreign investments generally, as discussed above. There can be no assurance that a liquid secondary market for options and futures contracts will exist at any specific time.

Borrowing. The Fund may borrow up to 20% of its total assets, taken at market value, but only from banks as a temporary measure for extraordinary or emergency purposes, including to meet redemptions or to settle securities transactions. The Fund will not purchase securities while borrowings exceed 5% of its total assets, except (a) to honor prior commitments or (b) to exercise subscription rights when outstanding borrowings have been obtained exclusively for settlements of other securities transactions. The purchase of securities while borrowings are outstanding will have the effect of leveraging the Fund. Such leveraging increases the Fund's exposure to capital risk, and borrowed funds are subject to interest costs which will reduce net income.

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Fees and Expenses. The investment advisory fee (at the annual rate of 0.75% of the Fund's average daily net assets) and other operating expenses of the Fund may be higher than the investment advisory fees and operating expenses of other mutual funds managed by the Investment Adviser and other investment advisers.

Other Special Considerations. Other special considerations are that the Fund may invest up to 15% of its assets in illiquid or otherwise not readily marketable securities (however, under the law of certain states, the Fund presently is limited with respect to such investments to 10% of its net assets) and that the Fund may invest more than 5% of its assets in securities issued or guaranteed by certain foreign governments.

#### INVESTMENT OBJECTIVE AND POLICIES

The investment objective of the Fund is to seek capital appreciation and, secondarily, income by investing in a diversified portfolio of equity securities of issuers located in countries other than the United States. Under normal conditions, at least 65% of the Fund's net assets will be invested in such equity securities. There can be no assurance that the Fund's investment objective will be achieved. The investment objective of the Fund is a fundamental policy and may not be changed without the approval of the holders of a majority of the Fund's outstanding voting securities. The Fund may employ a variety of investments and techniques to hedge against market and currency risk. The Fund is designed for investors seeking to complement their U.S. holdings through foreign equity investments. The Fund should be considered as a vehicle for diversification and not as a balanced investment program.

The Fund, utilizing the combined purchasing power of its shareholders' funds, provides the investor with the opportunity to participate with a minimum investment of \$1,000 (\$250 for retirement plans) in a diversified portfolio of equity securities in foreign markets which typically would require substantially larger commitments. Other advantages include worldwide professional management and administrative convenience. Unlike many intermediary investment vehicles, such as closed-end investment companies that invest in a single country, the Fund intends to diversify investment risk among the capital markets of a number of countries.

The Fund will invest in an international portfolio of securities of foreign companies located throughout the world. While there are no prescribed limits on the geographic allocation of the Fund's investments, management of the Fund anticipates that a substantial portion of its assets will be invested in the developed countries of Europe and the Far East. However, for the reasons stated below, management of the Fund will give special attention to investment opportunities in the developing countries of the world, including, but not limited to, Eastern Europe, Latin America and the Far East. It is anticipated that a significant portion of the Fund's assets may be invested in such developing countries, and the Fund may invest without limit in such securities.

The allocation of the Fund's assets among the various foreign securities markets will be determined by the Investment Adviser and by the Fund's sub-adviser, Merrill Lynch Asset Management U.K. Limited ("MLAM U.K."), based primarily on an assessment of the relative condition and growth potential of the various economies and securities markets, currency and taxation considerations and other pertinent financial, social, national and political factors. Within such allocations, the Investment Adviser and MLAM U.K. will seek to identify equity investments in each market which are expected to provide a total return which equals or exceeds the return of such market as a whole.

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A significant portion of the Fund's assets may be invested in developing countries. This allocation of the Fund's assets reflects the belief that attractive investment opportunities may result from an evolving long-term international trend favoring more market-oriented economies, a trend that may especially benefit certain developing countries with smaller capital markets. This trend may be facilitated by local or international political, economic or financial developments that could benefit the capital markets of such countries. Certain such countries, particularly so-called "emerging" countries (such as Malaysia, Mexico and Thailand), which may be in the process of developing more market-oriented economies, may experience relatively high rates of economic growth. Because of the general illiquidity of the capital markets in certain developing countries, the Fund may invest in a relatively small number of

leading or relatively actively traded companies in such countries' capital markets in the expectation that the investment experience of the securities of such companies will substantially represent the investment experience of the countries' capital markets as a whole.

While the Fund will primarily emphasize investments in common stock, the Fund may also invest in preferred stocks and convertible debt securities. The Fund reserves the right, as a temporary defensive measure and to provide for redemptions, to hold cash or cash equivalents in U.S. dollars or foreign currencies and short-term securities including money market securities. Under certain adverse investment conditions, the Fund may restrict the markets in which its assets will be invested and may increase the proportion of assets invested in temporary defensive obligations of U.S. issuers. Under normal conditions, at least 65% of the Fund's total assets will be invested in the securities of issuers from at least three different foreign countries. Investments made for defensive purposes will be maintained only during periods in which the Investment Adviser or MLAM U.K. determines that economic or financial conditions are adverse for holding or being fully invested in equity securities of foreign issuers. A portion of the portfolio normally will be held in U.S. dollars or short-term interest bearing U.S. dollar-denominated securities to provide for possible redemptions.

For purposes of the Fund's investment objective, an issuer ordinarily will be considered to be located in the country under the laws of which it is organized or where the primary trading market of its securities is located. The Fund, however, may consider a company to be located in a country, without reference to its domicile or to the primary trading market of its securities, when at least 50% of its non-current assets, capitalization, gross revenues or profits in any one of the two most recent fiscal years represents (directly or indirectly through subsidiaries) assets or activities located in such country. The Fund also may consider closed-end investment companies to be located in the country or countries in which they primarily make their portfolio investments.

The Fund may invest in the securities of foreign issuers in the form of American Depositary Receipts (ADRs), European Depositary Receipts (EDRs), Global Depositary Receipts (GDRs) or other securities convertible into securities of foreign issuers. These securities may not necessarily be denominated in the same currency as the securities into which they may be converted. ADRs are receipts typically issued by an American bank or trust company which evidence ownership of underlying securities issued by a foreign corporation. EDRs are receipts issued in Europe which evidence a similar ownership arrangement. GDRs are receipts issued throughout the world which evidence a similar ownership arrangement. Generally, ADRs, in registered form, are designed for use in the U.S. securities markets, and EDRs, in bearer form, are designed for use in European securities markets. GDRs are tradeable both in the U.S. and Europe and are designed for use throughout the world. The Fund may invest in unsponsored ADRs, EDRs and GDRs. The issuers of unsponsored ADRs, EDRs and GDRs are not obligated to disclose material information in the United States, and therefore, there may not be a correlation between such information and the market value of such securities.

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

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

The Fund may purchase securities that are not registered ("restricted securities") under the Securities Act of 1933, as amended, but can be offered and sold to "qualified institutional buyers" under Rule 144A under that Act. However, the Fund will not invest more than 15% of its assets in illiquid investments, which includes securities for which there is no readily available market, securities subject to contractual restrictions on resale, and otherwise

restricted securities, unless the Fund's Board of Trustees continuously determines, based on the trading markets for the specific restricted security, that it is liquid. (However, under the law of certain states, the Fund presently is limited with respect to such investments to 10% of its net assets.) The Board of Trustees has determined to treat as liquid Rule 144A securities which are freely tradeable in their primary markets offshore. The Board of Trustees may adopt guidelines and delegate to the Investment Adviser and MLAM U.K. the daily function of determining and monitoring liquidity of restricted securities. The Board of Trustees, however, will retain sufficient oversight and be ultimately responsible for the determinations.

Since it is not possible to predict with assurance exactly how this market for restricted securities sold and offered under Rule 144A will develop, the Board of Trustees will carefully monitor the Fund's investments in these securities, focusing on such factors, among others, as valuation, liquidity and availability of information. This investment practice could have the effect of increasing the level of illiquidity in the Fund to the extent that qualified institutional buyers become for a time uninterested in purchasing these securities.

#### OTHER INVESTMENT PRACTICES

Portfolio Strategies Involving Options, Futures and Forward Foreign Exchange Transactions. The Fund is authorized to engage in various portfolio strategies to hedge its portfolio against adverse movements in the equity markets and exchange rates between currencies.

The Fund has authority to write (i.e., sell) covered put and call options on its portfolio securities, purchase put and call options on securities and engage in transactions in futures and related options on such futures. The Fund may also deal in forward foreign exchange transactions and foreign currency options and futures, and related options on such futures. Each of these portfolio strategies is described in more detail in Appendix A attached to this prospectus. Although certain risks are involved in options and futures transactions (as discussed in "Risk Factors in Options, Futures and Currency Transactions" in Appendix A to this Prospectus), the Investment Adviser and MLAM U.K. believe that, because the Fund will engage in such transactions only for hedging purposes, the options, futures and currency portfolio strategies of the Fund will not subject the Fund to the risks frequently associated with the speculative use of options, futures and currency transactions. While the Fund's use of hedging strategies is intended to reduce the volatility of the net asset value of Fund shares, the net asset value of the shares of the Fund will fluctuate.

There can be no assurance that the Fund's hedging transactions will be effective. Furthermore, the Fund will only engage in hedging activities from time to time and may not necessarily be engaging in hedging activities when movements in the equity markets or currency exchange rates occur. Reference is made to Appendix A to this Prospectus and to the Statement of Additional Information for further information concerning these strategies.

Portfolio Transactions. In executing portfolio transactions, the Investment Adviser and MLAM U.K. seek to obtain the best net results for the Fund, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution and operational facilities of the firm involved and the firm's risk in positioning a block of securities. While

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the Investment Adviser and MLAM U.K. generally seek reasonably competitive commission rates, the Fund does not necessarily pay the lowest commission or spread available. The Fund has no obligation to deal with any broker or group of brokers in the execution of transactions in portfolio securities. Under the Investment Company Act, persons affiliated with the Fund and persons who are affiliated with such affiliated persons, including Merrill Lynch, are prohibited from dealing with the Fund as a principal in the purchase and sale of securities unless a permissive order allowing such transactions is obtained from the Securities and Exchange Commission. Affiliated persons of the Fund, and affiliated persons of such affiliated persons, may serve as the Fund's broker in transactions conducted on an exchange and in over-the-counter transactions conducted on an agency basis and may receive brokerage commissions from the Fund. In addition, consistent with the Rules of Fair Practice of the National Association of Securities Dealers, Inc., the Fund may consider sales of shares of the Fund as a factor in the selection of brokers or dealers to execute portfolio transactions for the Fund. It is expected that the majority of the shares of the Fund will be sold by Merrill Lynch. Brokerage commissions and other transaction costs on foreign stock exchange transactions are generally higher than in the U.S., although the Fund will endeavor to achieve the best net results in effecting its portfolio transactions.

Lending of Portfolio Securities. The Fund may from time to time lend securities from its portfolio, with a value not exceeding 33 1/3% of its total assets, to banks, brokers and other financial institutions and receive collateral in cash or securities issued or guaranteed by the U.S. Government which will be maintained at all times in an amount equal to at least 100% of the

current market value of the loaned securities. During the period of such a loan, the Fund receives the income on both the loaned securities and the collateral and thereby increases its yield. In the event that the borrower defaults on its obligation to return borrowed securities because of insolvency or otherwise, the Fund could experience delays and costs in gaining access to the collateral and could suffer a loss to the extent the value of the collateral falls below the market value of the borrowed securities.

**Portfolio Turnover.** The Investment Adviser and MLAM U.K. will effect portfolio transactions without regard to holding period, if, in their judgment, such transactions are advisable in light of a change in circumstance in general market, economic or financial conditions. As a result of its investment policies, the Fund may engage in a substantial number of portfolio transactions. Accordingly, while the Fund anticipates that its annual portfolio turnover rate should not exceed 100% under normal conditions, it is impossible to predict portfolio turnover rates. The portfolio turnover rate is calculated by dividing the lesser of the Fund's annual sales or purchases of portfolio securities (exclusive of purchases or sales of securities whose maturities at the time of acquisition were one year or less) by the monthly average value of the securities in the portfolio during the year.

**Repurchase Agreements and Purchase and Sale Contracts.** The Fund may invest in securities pursuant to repurchase agreements or purchase and sale contracts. Repurchase agreements may be entered into only with a member bank of the Federal Reserve System or a primary dealer in U.S. Government securities. Purchase and sale contracts may be entered into only with financial institutions which have capital of at least \$50 million or whose obligations are guaranteed by an entity having capital of at least \$50 million. Under such agreements, the other party agrees, upon entering into the contract with the Fund, to repurchase the security at a mutually agreed upon time and price in a specified currency, thereby determining the yield during the term of the agreement. This results in a fixed rate of return insulated from market fluctuations during such period although it may be affected by currency fluctuations. In the case of repurchase agreements, the prices at which the trades are conducted do not reflect accrued interest on the underlying obligation; whereas, in the case of purchase and sale contracts, the prices take into account accrued interest. Such agreements usually cover short

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periods, such as under one week. Repurchase agreements may be construed to be collateralized loans by the purchaser to the seller secured by the securities transferred to the purchaser. In the case of a repurchase agreement, as a purchaser, the Fund will require the seller to provide additional collateral if the market value of the securities falls below the repurchase price at any time during the term of the repurchase agreement; the Fund does not have the right to seek additional collateral in the case of purchase and sale contracts. In the event of default by the seller under a repurchase agreement construed to be a collateralized loan, the underlying securities are not owned by the Fund but only constitute collateral for the seller's obligation to pay the repurchase price. Therefore, the Fund may suffer time delays and incur costs or possible losses in connection with disposition of the collateral. A purchase and sale contract differs from a repurchase agreement in that the contract arrangements stipulate that the securities are owned by the Fund. In the event of a default under such a repurchase agreement or under a purchase and sale contract, instead of the contractual fixed rate, the rate of return to the Fund would be dependent upon intervening fluctuations of the market values of such securities and the accrued interest on the securities. In such event, the Fund would have rights against the seller for breach of contract with respect to any losses arising from market fluctuations following the failure of the seller to perform. Repurchase agreements and purchase and sale contracts maturing in more than seven days are deemed illiquid by the Securities and Exchange Commission and are therefore subject to the Fund's investment restriction limiting investments in securities that are not readily marketable to 15% of the Fund's total assets. (However, under the law of certain states, the Fund presently is limited with respect to such investments to 10% of its net assets.)

#### INVESTMENT RESTRICTIONS

The Fund has adopted a number of restrictions and policies relating to the investment of its assets and its activities, which are fundamental policies and may not be changed without the approval of the holders of a majority of the Fund's outstanding voting securities, as defined in the Investment Company Act. Among the more significant restrictions, the Fund may not:

--Invest in the securities of any one issuer if, immediately after and as a result of such investment, the value of the holdings of the Fund in the securities of such issuer exceeds 5% of the Fund's total assets, taken at market value, except that such restriction shall not apply to securities issued or guaranteed by the U.S. Government or any of its agencies or instrumentalities or, with respect to 25% of the Fund's total assets, to securities issued or guaranteed by the government of any country which is a member of the Organization for Economic Co-operation and Development (OECD).

--Invest in the securities of any single issuer if, immediately after

and as a result of such investment, the Fund owns more than 10% of the outstanding voting securities of such issuer.

--Invest more than 25% of its total assets (taken at market value at the time of each investment) in the securities of issuers in any particular industry.

Nothing in the foregoing investment restrictions shall be deemed to prohibit the Fund from purchasing the securities of any issuer pursuant to the exercise of subscription rights distributed to the Fund by the issuer, except that no such purchase may be made if as a result the Fund will no longer be a diversified investment company as defined in the Investment Company Act or fail to meet the diversification requirements of the Internal Revenue Code of 1986, as amended.

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#### MANAGEMENT OF THE FUND

##### BOARD OF TRUSTEES

The Board of Trustees of the Fund consists of five individuals, four of whom are not "interested persons" of the Fund as defined in the Investment Company Act. The Board of Trustees of the Fund is responsible for the overall supervision of the operations of the Fund and performs the various duties imposed on the directors of investment companies by the Investment Company Act.

The Trustees of the Fund are:

ARTHUR ZEIKEL\*--President and Chief Investment Officer of the Investment Adviser; President and Director of Princeton Services, Inc.; Executive Vice President of Merrill Lynch & Co., Inc.; Executive Vice President of Merrill Lynch; Director of the Distributor.

DONALD CECIL--Special Limited Partner of Cumberland Partners (an investment partnership).

EDWARD H. MEYER--Chairman of the Board, President and Chief Executive Officer of Grey Advertising Inc.

CHARLES C. REILLY--Self-employed financial consultant; former President and Chief Investment Officer of Verus Capital, Inc.; former Senior Vice President of Arnhold and S. Bleichroeder, Inc.; Adjunct Professor, Columbia University Graduate School of Business.

RICHARD R. WEST--Professor of Finance, and Dean from 1984 to 1993, New York University Leonard N. Stern School of Business Administration.

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\* Interested person, as defined in the Investment Company Act, of the Fund.

##### ADVISORY AND MANAGEMENT ARRANGEMENTS

The Fund's investment adviser is Merrill Lynch Asset Management, L.P., which does business as Merrill Lynch Asset Management (the "Investment Adviser"). The Investment Adviser is owned and controlled by Merrill Lynch & Co., Inc., a financial services holding company and the parent of Merrill Lynch. The Investment Adviser, or an affiliate of the Investment Adviser, Fund Asset Management, L.P. ("FAM"), acts as the investment adviser to more than 90 other registered investment companies and provides investment advisory services to individual and institutional accounts. As of November 30, 1993, the Investment Adviser and FAM had a total of approximately \$159.4 billion in investment company and other portfolio assets under management, including accounts of certain affiliates of the Investment Adviser.

The investment advisory agreement with the Investment Adviser (the "Investment Advisory Agreement") provides that, subject to the direction of the Board of Trustees of the Fund, the Investment Adviser is responsible for the actual management of the Fund's portfolio and constantly reviews the Fund's holdings in light of its own research analysis and that from other relevant sources. The responsibility for making decisions to buy, sell or hold a particular security rests with the Investment Adviser and MLAM U.K., subject to

review by the Board of Trustees. The Investment Adviser is also obligated to perform certain administrative and management services for the Fund and is obligated to provide all of the office space, facilities, equipment and personnel necessary to perform its duties under the Investment Advisory Agreement.

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The Investment Adviser has entered into a sub-advisory agreement (the "Sub-Advisory Agreement") with MLAM U.K., an indirect, wholly-owned subsidiary of Merrill Lynch & Co., Inc. and an affiliate of the Investment Adviser, pursuant to which the Investment Adviser pays MLAM U.K. a fee for providing investment advisory services to the Investment Adviser with respect to the Fund in an amount to be determined from time to time by the Investment Adviser and MLAM U.K. but in no event in excess of the amount that the Investment Adviser actually receives for providing services to the Fund pursuant to the Investment Advisory Agreement. MLAM U.K. has offices at Ropemaker Place, 25 Ropemaker Street, 1st Floor, London EC24 9LY, England. For the fiscal period July 30, 1993 (commencement of operations) to November 30, 1993, the fee paid by the Investment Adviser to MLAM U.K. was \$86,994.

The Fund pays the Investment Adviser a monthly fee at the annual rate of 0.75% of the average daily net assets of the Fund. This fee is higher than that of most mutual funds, including most other mutual funds managed by the Investment Adviser and other investment advisers, but management of the Fund believes this fee is justified by the additional investment research and analysis required in connection with investing in equities on an international basis. For the fiscal period July 30, 1993 (commencement of operations) to November 30, 1993, the fee paid by the Fund to the Investment Adviser was \$910,109 (based upon average net assets of approximately \$357.2 million). At December 31, 1993, the net assets of the Fund aggregated approximately \$624.5 million. At this asset level, the annual management fee would aggregate approximately \$4,684,000.

The Fund pays certain expenses incurred in its operations, including, among other things, the investment advisory fees; legal and audit fees; unaffiliated Trustees' fees and expenses; registration fees; custodian and transfer agency fees; accounting and pricing costs; and certain of the costs of printing proxies, shareholder reports, prospectuses and statements of additional information. Also, accounting services are provided to the Fund by the Investment Adviser, and the Fund reimburses the Investment Adviser for its costs in connection with such services on a semi-annual basis. For the fiscal period July 30, 1993 (commencement of operations) to November 30, 1993, the Fund reimbursed the Investment Adviser \$16,960 for accounting services. For the fiscal period July 30, 1993 (commencement of operations) to November 30, 1993, for the Class A shares the ratio of total expenses excluding account maintenance fees to average net assets was 1.19% (annualized), and the ratio of total expenses including account maintenance fees to average net assets was 1.44% (annualized); for the Class B shares the ratio of total expenses excluding account maintenance and distribution fees to average net assets was 1.21% (annualized), and the ratio of total expenses including account maintenance and distribution fees to average net assets was 2.21% (annualized).

Decisions concerning the allocation of the Fund's assets among the three prime regions outside the United States (i.e., Europe, Latin America and the Pacific Basin) will be centralized in London, with country and individual security decisions made in both London and Princeton, New Jersey. The names of the persons associated with the Investment Adviser and MLAM U.K. who are primarily responsible for the day-to-day management of the Fund's portfolio, the length of time that such persons have been so responsible, and their business experience during the past five years are as follows:

-Andrew John Bascand, Director of MLAM U.K. and Vice President of Merrill Lynch Global Asset Management Limited (MLGAM) since 1993, joined the team in October 1993 as Senior Portfolio Manager/Asset Allocator primarily responsible for geographical asset allocation of the Fund's portfolio. Most recently, Mr. Bascand was with A.M.P. Asset Management plc in London and had previously served as Chief Economist with A.M.P. Investments (NZ) in New Zealand. He has served

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as Economic Adviser to the Chief Economist of the Reserve Bank of New Zealand and as Senior Research Officer of the Bank of England's International Department. Mr. Bascand is the Asset Allocator for the Fund and, as such, is primarily responsible for determining the allocation of the Fund's assets among the three prime regions outside the United States.

-Adrian Holmes, Managing Director of MLAM U.K. since 1993, Vice President from 1990 to 1993 and an employee thereof since 1987, and Director of MLGAM since 1993, has been a member of the team primarily responsible for the day-to-day management of the Fund's portfolio since it commenced operations. Mr. Holmes is primarily responsible for European investments.

-Stephen I. Silverman, Vice President of the Investment Adviser since 1983, has been a member of the team primarily responsible for the day-to-day management of the Fund's portfolio since it commenced operations. Mr. Silverman is primarily responsible for Pacific Basin investments.

-Grace Pineda, Vice President of the Investment Adviser since 1989, has been a member of the team primarily responsible for the day-to-day management of the Fund's portfolio since it commenced operations. Prior to joining the Investment Adviser, Ms. Pineda was a portfolio manager with Clemente Capital, Inc. Ms. Pineda is primarily responsible for investments in emerging markets in Europe, Asia and Latin America.

#### TRANSFER AGENCY SERVICES

Financial Data Services, Inc. (the "Transfer Agent"), which is a wholly-owned subsidiary of Merrill Lynch & Co., Inc., acts as the Fund's transfer agent pursuant to a Transfer Agency, Dividend Disbursing Agency and Shareholder Servicing Agency Agreement (the "Transfer Agency Agreement"). Pursuant to the Transfer Agency Agreement, the Transfer Agent is responsible for the issuance, transfer and redemption of shares and the opening and maintenance of shareholder accounts. Pursuant to the Transfer Agency Agreement, the Transfer Agent receives an annual fee of \$7.00 per Class A shareholder account and \$9.00 per Class B shareholder account, nominal miscellaneous fees (e.g., account closing fees) and is entitled to reimbursement for out-of-pocket expenses incurred by it under the Transfer Agency Agreement. For the fiscal period July 30, 1993 (commencement of operations) to November 30, 1993, the Fund paid the Transfer Agent \$127,524 pursuant to the Transfer Agency Agreement. At November 30, 1993, the Fund had 5,606 Class A shareholder accounts and 32,763 Class B shareholder accounts. At this level of accounts, the annual fee payable to the Transfer Agent would aggregate approximately \$334,109 plus miscellaneous and out-of-pocket expenses.

#### PURCHASE OF SHARES

Merrill Lynch Funds Distributor, Inc. (the "Distributor"), a subsidiary of the Investment Adviser and an affiliate of Merrill Lynch, acts as the Distributor of the shares of the Fund. Shares of the Fund are offered continuously for sale by the Distributor and other eligible securities dealers (including Merrill Lynch). Shares of the Fund may be purchased from securities dealers or by mailing a purchase order directly to the Transfer Agent. The minimum initial purchase is \$1,000, and the minimum subsequent purchase is \$50, except that for retirement plans, the minimum initial purchase is \$250, and the minimum subsequent purchase is \$1.

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The Fund is offering its shares at a public offering price equal to the next determined net asset value per share plus sales charges which, at the option of the purchaser, may be imposed either at the time of purchase (the "initial sales charge alternative") or on a deferred basis (the "deferred sales charge alternative"), as described below. The applicable offering price for purchase orders is based upon the net asset value of the Fund next determined after receipt of the purchase orders by the Distributor. As to purchase orders received by securities dealers prior to 4:15 p.m., New York time, which includes orders received after the determination of the net asset value on the previous day, the applicable offering price will be based on the net asset value determined as of 4:15 p.m., New York time, on the day the orders are placed with the Distributor, provided the orders are received by the Distributor prior to 4:30 p.m., New York time, on that day. If the purchase orders are not received by the Distributor prior to 4:30 p.m., New York time, such orders shall be deemed received on the next business day. Any order may be rejected by the Distributor or the Fund. The Fund or the Distributor may suspend the continuous offering of the Fund's shares at any time in response to conditions in the



securities markets or otherwise and may thereafter resume such offering from time to time. Any order may be rejected by the Distributor or the Fund. Neither the Distributor nor the dealers are permitted to withhold placing orders to benefit themselves by a price change. Merrill Lynch may charge its customers a processing fee (presently \$4.85) to confirm a sale of shares to such customers. Purchases directly through the Transfer Agent are not subject to the processing fee.

The Fund issues two classes of shares: Class A shares are sold to investors choosing the initial sales charge alternative, and Class B shares are sold to investors choosing the deferred sales charge alternative. The two classes of shares each represent interests in the same portfolio of investments of the Fund, have the same rights and are identical in all respects, except that (i) Class B shares bear the expenses of the deferred sales arrangements, any expenses (including incremental transfer agency costs) resulting from such sales arrangements and the expenses paid by the account maintenance fee and (ii) that Class A shares bear the expenses of the account maintenance fee, and (iii) each class has exclusive voting rights with respect to the Rule 12b-1 distribution plan pursuant to which the account maintenance and distribution fees, in the case of the Class B shares, and the account maintenance fee, in the case of the Class A shares, is paid. The two classes also have different exchange privileges. See "Shareholder Services--Exchange Privilege". The net income attributable to Class B shares and the dividends payable on Class B shares will be reduced by the amount by which the sum of the account maintenance and distribution fees and incremental expenses associated with such account maintenance and distribution fees exceeds the account maintenance fee attributable to the Class A shares; likewise the net asset value of the Class B shares will be reduced by such amount to the extent the Fund has undistributed net income. Sales personnel may receive different compensation for selling Class A or Class B shares. Investors are advised that only Class A shares may be available for purchase through securities dealers, other than Merrill Lynch, which are eligible to sell shares.

#### ALTERNATIVE SALES ARRANGEMENTS

The alternative sales arrangements of the Fund permit investors to choose the method of purchasing shares that is most beneficial given the amount of their purchase, the length of time the investor expects to hold the shares and other relevant circumstances. Investors should determine whether under their particular circumstances it is more advantageous to incur an initial sales charge and an ongoing account maintenance fee, as discussed below, or to have the entire initial purchase price invested in the Fund with the investment thereafter being subject to ongoing account maintenance and distribution fees.

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As an illustration, investors who qualify for significantly reduced sales charges, as described below, might elect the initial sales charge alternative because similar sales charge reductions are not available for purchases under the deferred sales charge alternative. Moreover, shares acquired under the initial sales charge alternative would not be subject to both an ongoing account maintenance fee and a distribution fee, as described below, although the shares are subject to an ongoing account maintenance fee, as discussed below. However, because initial sales charges are deducted at the time of purchase, such investors would not have all their funds invested initially.

Investors not qualifying for reduced initial sales charges who expect to maintain their investment for an extended period of time might also elect the initial sales charge alternative because over time the accumulated continuing account maintenance and distribution fees related to Class B shares may exceed the initial sales charge and ongoing account maintenance fee related to Class A shares. Again, however, such investors must weigh this consideration against the fact that not all their funds will be invested initially. Furthermore, the ongoing account maintenance and distribution fees will be offset to the extent any return is realized on the additional funds initially invested under the deferred alternative. Another factor that may be applicable under certain circumstances is that the payment of the Class B distribution fee and contingent deferred sales charge is subject to certain limits as set forth below under "Deferred Sales Charge Alternative--Class B Shares".

Certain other investors might determine it to be more advantageous to have all their funds invested initially, although remaining subject to continuing account maintenance and distribution fees and, for a four-year period of time, a contingent deferred sales charge as described below. For example, an investor subject to the 6.50% initial sales charge will have to hold his investment for more than 6 1/2 years for the ongoing 0.25% account maintenance fee and 0.75% distribution fee of Class B shares to exceed the initial sales charge plus the accumulated account maintenance fee of Class A shares. This example does not take into account the time value of money which further reduces the impact of the ongoing 0.25% account maintenance fee and 0.75% distribution fee of Class B shares on the investment, fluctuations in net asset value, the effect of the return on the investment over this period of time or the effect of any limits that may be imposed upon the payment of the distribution fee and the contingent deferred sales charge.

The Fund is presently considering extending the period of time during which redemptions of Class B shares will be subject to the contingent deferred sales charge. If such period is lengthened, the disclosure in the prospectus would be appropriately revised. Also, any Class B shares purchased prior to such change would be subject to the Fund's contingent deferred sales charge schedule as provided in the Fund's prospectus at the time of the purchase of such shares, instead of any longer period.

Distribution Plans. Pursuant to separate distribution plans adopted by the Fund pursuant to Rule 12b-1 under the Investment Company Act (each a "Distribution Plan"), the Fund pays the Distributor (a) an account maintenance fee relating to Class A shares, accrued daily and paid monthly, at the annual rate of 0.25% of the average daily net assets of the Fund attributable to Class A shares in order to compensate the Distributor and Merrill Lynch (pursuant to a sub-agreement) in connection with account maintenance activities and (b) an account maintenance fee and a distribution fee relating to Class B shares, accrued daily and paid monthly, at the annual rates of 0.25% and 0.75%, respectively, of the average daily net assets of the Fund attributable to Class B shares in order to compensate the Distributor and Merrill Lynch (pursuant to a sub-agreement) for providing account maintenance and

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distribution services to the Fund, with the ongoing account maintenance fee compensating the Distributor and Merrill Lynch for providing account maintenance services to Class B shareholders and with the ongoing distribution fee compensating the Distributor and Merrill Lynch for providing shareholder and distribution services, and bearing certain distribution-related expenses of the Fund, including payments to financial consultants for selling Class B shares of the Fund. See "Additional Information-- Organization of the Fund". The Distribution Plan related to Class B shares is designed to permit an investor to purchase Class B shares through dealers without the assessment of a front-end sales charge and at the same time permit the dealer to compensate its financial consultants in connection with the sale of the Class B shares. In this regard, the purpose and function of the ongoing account maintenance and distribution fees and the contingent deferred sales charge are the same as those of the initial sales charge and account maintenance fee with respect to the Class A shares of the Fund in that the deferred sales charges provide for the financing of the distribution of the Fund's Class B shares. For the fiscal period July 30, 1993 (commencement of operations) to November 30, 1993, the Fund paid the Distributor \$71,666 pursuant to the Class A Distribution Plan (based on average net assets subject to the Class A Distribution Plan of approximately \$84.4 million), all of which was paid to Merrill Lynch for providing account maintenance services in connection with the Class A shares. For the same period, the Fund paid the Distributor \$926,816 pursuant to the Class B Distribution Plan (based on average net assets subject to the Class B Distribution Plan of approximately \$272.8 million), all of which was paid to Merrill Lynch for providing account maintenance and distribution-related activities and services in connection with Class B shares. At December 31, 1993, the net assets of the Fund subject to the Class A Distribution Plan and the Class B Distribution Plan aggregated approximately \$133.4 million for Class A shares and approximately \$491.1 million for Class B shares. At these asset levels, the annual fees paid pursuant to such Plans would aggregate approximately \$333,600 for Class A shares and \$4,911,000 for Class B shares.

The payments under the Class B Distribution Plan are based on a percentage of average daily net assets attributable to Class B shares regardless of the amount of expenses incurred, and accordingly, distribution-related revenues may be more or less than distribution-related expenses. Information with respect to the distribution-related revenues and expenses is presented to the Trustees for their consideration in connection with their deliberations as to the continuance of the Distribution Plan. This information is presented annually as of December 31 of each year on a "fully allocated accrual" basis and quarterly on a "direct expenses and revenue/cash" basis. On the fully allocated accrual basis, revenues consist of the account maintenance fees, distribution fees, the contingent deferred sales charges and certain other related revenues, and expenses consist of financial consultant compensation, branch office and regional operation center selling and transaction processing expenses, advertising, sales promotion and marketing expenses, corporate overhead and interest expense. On the direct expense and revenue/cash basis, revenues consist of the account maintenance fees, distribution fees and contingent deferred sales charges, and the expenses consist of financial consultant compensation. As of November 30, 1993, direct cash expenses for the period since commencement of the offering of Class B shares exceeded direct cash revenues by \$3,980,951 (1.00% of Class B net assets at that date).

The Fund has no obligation with respect to distribution and account maintenance-related expenses incurred by the Distributor and Merrill Lynch in connection with the Class B and Class A shares, and there is no assurance that the Trustees of the Fund will approve the continuance of the Distribution Plans from year to year. However, the Distributor intends to seek annual continuation

of the Distribution Plans. In their review of the Distribution Plans, the Trustees will be asked to take into consideration expenses incurred in connection with the account maintenance and/or distribution of each class of

shares separately. The account maintenance fee, the distribution fee and the contingent deferred sales charges in the case of Class B shares will not be used to subsidize the sale of Class A shares. Similarly, the initial sales charges and account maintenance fee in the case of Class A shares will not be used to subsidize the sale of Class B shares. Payment of the distribution fee on Class B shares is subject to certain limits as set forth under "Deferred Sales Charge Alternative--Class B Shares".

INITIAL SALES CHARGE ALTERNATIVE--CLASS A SHARES

The public offering price of Class A shares for purchasers choosing the initial sales charge alternative is the next determined net asset value plus varying sales charges (i.e., sales loads) as set forth below.

<TABLE>  
<CAPTION>

AMOUNT OF PURCHASE	SALES CHARGE AS PERCENTAGE OF THE OFFERING PRICE	SALES CHARGE AS PERCENTAGE* OF THE NET AMOUNT INVESTED	DISCOUNT TO SELECTED DEALERS AS PERCENTAGE OF THE OFFERING PRICE
<S>	<C>	<C>	<C>
Less than \$10,000.....	6.50%	6.95%	6.25%
\$10,000 but less than \$25,000.....	6.00	6.38	5.75
\$25,000 but less than \$50,000.....	5.00	5.26	4.75
\$50,000 but less than \$100,000.....	4.00	4.17	3.75
\$100,000 but less than \$250,000.....	3.00	3.09	2.75
\$250,000 but less than \$1,000,000.....	2.00	2.04	1.80
\$1,000,000 and over.....	.75	.76	.65

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\* Rounded to the nearest one-hundredth percent.

Initial sales charges may be waived for shareholders purchasing \$1 million or more in a single transaction (other than a tax qualified retirement plan under Section 401 of the Internal Revenue Code of 1986, as amended (the "Code"), or a deferred compensation plan under Section 403(b) and Section 457 of the Code), or a purchase by TMSM Managed Trust, of Class A shares of the Fund. In addition, purchases of Class A shares of the Fund made in connection with a single investment of \$1 million or more under the Merrill Lynch Mutual Fund Adviser Program will not be subject to an initial sales charge. Purchases described in this paragraph will be subject to a contingent deferred sales charge if the shares are redeemed within one year after purchase at the following rates:

<TABLE>  
<CAPTION>

AMOUNT OF PURCHASE	CONTINGENT DEFERRED SALES CHARGE AS A PERCENTAGE OF DOLLAR AMOUNT SUBJECT TO CHARGE
<S>	<C>
\$1 million up to \$2.5 million.....	1.00%
Over \$2.5 million up to \$3.5 million.....	0.60
Over \$3.5 million up to \$5 million.....	0.40
Over \$5 million.....	0.25

The Distributor may reallocate discounts to selected dealers and retain the balance over such discounts. At times the Distributor may reallocate the entire sales charge to such dealers. Since securities dealers selling Class A shares of the Fund will receive a concession equal to most of the sales charge,

they may be deemed to be underwriters under the Securities Act of 1933, as amended. During the fiscal period July 30, 1993 (commencement of operations) to November 30, 1993, the Fund sold 12,240,764 Class A shares for aggregate net proceeds to the Fund of \$124,442,649. The gross sales charges for the sale of Class A shares of the Fund for that period were \$2,812,973, of which \$119,814 and \$2,693,159 were received by the Distributor and Merrill Lynch, respectively.

Reduced Initial Sales Charges. Sales charges are reduced under a Right of Accumulation and a Letter of Intention. Class A shares of the Fund are offered at net asset value to Trustees of the Fund, to directors of Merrill Lynch & Co., Inc., to participants in certain benefit plans, to directors and trustees of certain other Merrill Lynch sponsored investment companies, to an investor who has a business relationship with a financial consultant who joined Merrill Lynch from another investment firm within six months prior to the date of purchase if certain conditions set forth in the Statement of Additional Information are met and to employees of Merrill Lynch & Co., Inc. and its subsidiaries. Class A shares are offered at net asset value to certain retirement plans, including eligible 401(k) plans, provided such plans meet the required minimum number of eligible employees or required amount of assets advised by the Investment Adviser or its subsidiary, FAM. Also, Class A shares may be offered at net asset value in connection with the acquisition of assets of other investment companies. No initial sales charges are imposed upon Class A shares issued as a result of the automatic reinvestment of dividends or capital gains distributions. Class A shares of the Fund are also offered at net asset value, without sales charge, to an investor who has a business relationship with a Merrill Lynch financial consultant and who has invested in a mutual fund sponsored by a non-Merrill Lynch company for which Merrill Lynch has served as a selected dealer and where Merrill Lynch has either received or given notice that such arrangement will be terminated, if the following conditions are satisfied: first, the investor must purchase Class A shares of the Fund with proceeds from a redemption of shares of such other mutual fund and such fund imposed a sales charge either at the time of purchase or on a deferred basis; second, such purchase of Class A shares must be made within 90 days after such notice of termination. Class A shares of the Fund are also offered at net asset value to shareholders of certain closed-end funds advised by the Investment Adviser or FAM who wish to reinvest the net proceeds from a sale of their closed-end fund shares of common stock in shares of the Fund, provided certain conditions are met. For example, Class A shares of the Fund and certain other mutual funds advised by the Investment Adviser or FAM are offered at net asset value to shareholders of Senior Floating Rate Fund (formerly known as Merrill Lynch Prime Fund, Inc.) who wish to reinvest the net proceeds from a sale of certain of their shares of common stock of Senior Floating Rate Fund in shares of such funds.

Additional information concerning these reduced initial sales charges is set forth in the Statement of Additional Information.

#### DEFERRED SALES CHARGE ALTERNATIVE--CLASS B SHARES

Investors choosing the deferred sales charge alternative purchase Class B shares at net asset value per share without the imposition of a sales charge at the time of purchase. The Class B shares are being sold without an initial sales charge so that the Fund will receive the full amount of the investor's purchase payment. Merrill Lynch compensates its financial consultants for selling Class B shares at the time of purchase from its own funds. The proceeds of the contingent deferred sales charge and the ongoing distribution fee discussed below are used to defray Merrill Lynch's expenses, including

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compensating its financial consultants. The proceeds from the ongoing account maintenance fee are used to compensate Merrill Lynch for providing continuing account maintenance activities.

Proceeds from the contingent deferred sales charge are paid to the Distributor and are used in whole or in part by the Distributor to defray the expenses of dealers (including Merrill Lynch) related to providing distribution-related services to the Fund in connection with the sale of the Class B shares, such as the payment of compensation to financial consultants for selling Class B shares. Payments by the Fund to the Distributor of the distribution fee under the Distribution Plan relating to Class B shares also may be used in whole or in part by the Distributor for this purpose. The combination of the contingent deferred sales charge and the ongoing distribution fee facilitates the ability of the Fund to sell the Class B shares without a sales charge being deducted at the time of purchase. Class B shareholders of the Fund exercising the exchange privilege described under "Shareholder Services--Exchange Privilege" will continue to be subject to the Fund's contingent deferred sales charge schedule if such schedule is higher than the deferred sales charge schedule relating to the Class B shares acquired as a result of the exchange.

Contingent Deferred Sales Charge. Class B shares which are redeemed within four years of purchase may be subject to a contingent deferred sales charge at the rates set forth below charged as a percentage of the dollar amount subject thereto. The Fund is presently considering extending the period of time during which redemptions of Class B shares will be subject to the contingent deferred sales charge. If such period is lengthened, the disclosure in the prospectus would be appropriately revised. Also, any Class B shares purchased prior to such

change would be subject to the Fund's contingent deferred sales charge schedule as provided in the Fund's prospectus at the time of the purchase of such shares, instead of any longer period. The charge will be assessed on an amount equal to the lesser of the current market value or the cost of the shares being redeemed. Accordingly, no sales charge will be imposed on increases in net asset value above the initial purchase price. In addition, no charge will be assessed on shares derived from reinvestment of dividends or capital gains distributions. For the fiscal period July 30, 1993 (commencement of operations) to November 30, 1993, the Distributor received contingent deferred sales charges of \$42,743 with respect to the redemption of Class B shares, all of which was paid to Merrill Lynch.

The following table sets forth the rates of the contingent deferred sales charge:

<TABLE>  
<CAPTION>

YEAR SINCE PURCHASE PAYMENT MADE	CONTINGENT DEFERRED SALES CHARGE AS A PERCENTAGE OF DOLLAR AMOUNT SUBJECT TO CHARGE
<S>	<C>
0-1.....	4.0%
1-2.....	3.0%
2-3.....	2.0%
3-4.....	1.0%
4 and thereafter.....	None

</TABLE>

In determining whether a contingent deferred sales charge is applicable to a redemption, the calculation will be determined in the manner that results in the lowest possible rate being charged. Therefore, it will be assumed that the redemption is first of shares held for over four years or shares acquired pursuant to reinvestment of dividends or distributions and then of shares held longest during

the four-year period. The charge will not be applied to dollar amounts representing an increase in the net asset value since the time of purchase. A transfer of shares from a shareholder's account to another account will be assumed to be made in the same order as a redemption.

To provide an example, assume an investor purchased 100 shares at \$10 per share (at a cost of \$1,000) and in the third year after purchase, the net asset value per share is \$12, and during such time, the investor has acquired 10 additional shares through dividend reinvestment. If at such time the investor makes his first redemption of 50 shares (proceeds of \$600), 10 shares will not be subject to the charge because of dividend reinvestment. With respect to the remaining 40 shares, the charge is applied only to the original cost of \$10 per share and not to the increase in net asset value of \$2 per share. Therefore, \$400 of the \$600 redemption proceeds will be charged at a rate of 2.0% (the applicable rate in the third year after purchase).

The contingent deferred sales charge is waived on redemptions of shares in connection with certain post-retirement withdrawals from Individual Retirement Accounts ("IRAs") or other retirement plans or following the death or disability (as defined in the Code) of a shareholder.

The contingent deferred sales charge also is waived on redemptions of shares by certain eligible 401(a) and eligible 401(k) plans. The contingent deferred sales charge is also waived for any Class B shares which are purchased by an eligible 401(k) or eligible 401(a) plan and which are rolled over into a Merrill Lynch or Merrill Lynch Trust Company custodied IRA and held in such account at the time of redemption. Additional information concerning the waiver of the contingent deferred sales charge is set forth in the Statement of Additional Information.

Limitations on the Payment of Deferred Sales Charges. The maximum sales charge rule in the Rules of Fair Practice of the National Association of Securities Dealers, Inc. ("NASD") imposes a limitation on certain asset-based sales charges such as the Fund's distribution fee and the contingent deferred sales charge but not the account maintenance fees. As applicable to the Fund, the maximum sales charge rule limits the aggregate of distribution fee payments and contingent deferred sales charges payable by the Fund to (1) 6 1/4% of eligible gross sales of Class B shares (defined to exclude shares issued pursuant to dividend reinvestments and exchanges) plus (2) interest on the unpaid balance at the prime rate plus 1% (the unpaid balance being the maximum

amount payable minus amounts received from the payment of the distribution fee and the contingent deferred sales charge). The Distributor has voluntarily agreed to waive interest charges on the unpaid balance in excess of 0.50% of eligible gross sales. Consequently, the maximum amount payable to the Distributor (referred to as the "voluntary maximum") is 6.75% of eligible gross sales. The Distributor retains the right to stop waiving the interest charges at any time. To the extent payments would exceed the voluntary maximum, the Fund will not make further payments of the distribution fee, and any contingent deferred sales charges will be paid to the Fund rather than to the Distributor; however, the Fund will continue to make payments of the account maintenance fees. In certain circumstances the amount payable pursuant to the voluntary maximum may exceed the amount payable under the NASD formula. In such circumstances payment in excess of the amount payable under the NASD formula will not be made.

The following table sets forth comparative information as of November 30, 1993, with respect to the Class B shares of the Fund indicating the maximum allowable payments that can be made under the NASD maximum sales charge rule and the Distributor's voluntary maximum for the period July 30, 1993 (commencement of operations) to November 30, 1993:

DATA CALCULATED AS OF NOVEMBER 30, 1993  
(IN THOUSANDS)

<TABLE>  
<CAPTION>

	ELIGIBLE GROSS SALES (1)	ALLOWABLE AGGREGATE SALES CHARGES	ALLOWABLE INTEREST ON UNPAID BALANCE (2)	MAXIMUM AMOUNT PAYABLE	AMOUNTS PREVIOUSLY PAID TO DISTRIBUTOR (3)	AGGREGATE UNPAID BALANCE	ANNUAL DISTRIBUTION FEE AT CURRENT NET ASSET LEVEL (4)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Under NASD Rule as Adopted.....	\$ 349,581	\$ 21,849	\$ 346	\$ 22,195	\$ 738	\$ 21,457	\$ 2,989
Under Distributor's Voluntary Waiver.....	\$ 349,581	\$ 21,849	\$ 1,748	\$ 23,597	\$ 738	\$ 22,859	\$ 2,989

</TABLE>

(1) Purchase price of all eligible Class B shares sold since July 30, 1993 (commencement of operations) other than shares acquired through dividend reinvestment and the exchange privilege.

(2) Interest is computed on a monthly basis based upon the prime rate, as reported in The Wall Street Journal, plus 1.0%, as permitted under the NASD Rule.

(3) Consists of contingent deferred sales charge payments, distribution fee payments and accruals.

(4) Provided to illustrate the extent to which the current level of distribution fee payments (not including any contingent deferred sales charge payments) is amortizing the unpaid balance. No assurance can be given that payments of the distribution fee will reach either the voluntary maximum or the NASD maximum.

REDEMPTION OF SHARES

The Fund is required to redeem for cash all full and fractional shares of the Fund on receipt of a written request in proper form. The redemption price is the net asset value per share next determined after the initial receipt of proper notice of redemption. Except for any contingent deferred sales charge which may be applicable to Class B shares, there will be no charge for redemption if the redemption request is sent directly to the Transfer Agent. Shareholders liquidating their holdings will receive upon redemption all dividends reinvested through the date of redemption. The value of shares at the

time of redemption may be more or less than the shareholder's cost, depending on the market value of the securities held by the Fund at such time.

#### REDEMPTION

A shareholder wishing to redeem shares may do so without charge by tendering the shares directly to the Transfer Agent, Financial Data Services, Inc., Transfer Agency Mutual Fund Operations, P.O. Box 45289, Jacksonville, Florida 32232-5289. Redemption requests delivered other than by mail should be delivered to Financial Data Services, Inc., Transfer Agency Mutual Fund Operations, 4800 Deer Lake Drive East, Jacksonville, Florida 32246-6484. Proper notice of redemption in the case of shares deposited with the Transfer Agent may be accomplished by a written letter requesting redemption. Proper notice of redemption in the case of shares for which certificates have been issued may be accomplished by a written letter as noted above accompanied by certificates for the shares to be redeemed. The notice in either event requires the signatures of all persons in whose names the shares are registered, signed exactly as their names appear on the Transfer Agent's register or on the certificate, as

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the case may be. The signature(s) on the redemption request must be guaranteed by an "eligible guarantor institution" (including, for example, Merrill Lynch branches and certain other financial institutions) as such is defined in Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended, the existence and validity of which may be verified by the Transfer Agent through the use of industry publications. Notarized signatures are not sufficient. In certain instances, the Transfer Agent may require additional documents, such as, but not limited to, trust instruments, death certificates, appointments as executor or administrator, or certificates of corporate authority. For shareholders redeeming directly with the Transfer Agent, payment will be mailed within seven days of receipt of a proper notice of redemption.

At various times the Fund may be requested to redeem shares for which it has not yet received good payment. The Fund may delay or cause to be delayed the mailing of a redemption check until such time as good payment (e.g., cash or certified check drawn on a U.S. bank) has been collected for the purchase of such shares. Normally, this delay will not exceed 10 days.

#### REPURCHASE

The Fund also will repurchase shares through a shareholder's listed securities dealer. The Fund normally will accept orders to repurchase shares by wire or telephone from dealers for their customers at the net asset value next computed after receipt of the order by the dealer, provided that the request for repurchase is received by the dealer prior to the close of business on the New York Stock Exchange on the day received and that such request is received by the Fund from such dealer not later than 4:30 p.m., New York time, on the same day. Dealers have the responsibility of submitting such repurchase requests to the Fund not later than 4:30 p.m., New York time, in order to obtain that day's closing price.

The foregoing repurchase arrangements are for the convenience of shareholders and do not involve a charge by the Fund (other than any applicable contingent deferred sales charge in the case of Class B shares). Securities firms which do not have selected dealer agreements with the Distributor, however, may impose a transaction charge on the shareholder for transmitting the notice of repurchase to the Fund. Merrill Lynch may charge its customers a processing fee (presently \$4.85) to confirm a repurchase of shares to such customers. Redemptions directly through the Transfer Agent are not subject to the processing fee. The Fund reserves the right to reject any order for repurchase, which right of rejection might adversely affect shareholders seeking redemption through the repurchase procedure. A shareholder whose order for repurchase is rejected by the Fund may redeem shares as set forth above.

#### REINSTATEMENT PRIVILEGE--CLASS A SHARES

Shareholders who have redeemed their Class A shares have a one-time privilege to reinstate their accounts by purchasing Class A shares of the Fund at net asset value without a sales charge up to the dollar amount redeemed. The reinstatement privilege may be exercised by sending a notice of exercise along with a check for the amount to be reinstated to the Transfer Agent within 30 days after the date the request for redemption was accepted by the Transfer Agent or the Distributor. The reinstatement will be made at the net asset value per share next determined after the notice of reinstatement is received and cannot exceed the amount of the redemption proceeds. The reinstatement privilege is a one-time privilege and may be exercised by the Class A shareholder only the first time such shareholder makes a redemption.

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The Fund offers a number of shareholder services and investment plans designed to facilitate investment in its shares. Full details as to each of such services, copies of the various plans described below and instructions as to how to participate in the various services or plans, or to change options with respect thereto, can be obtained from the Fund by calling the telephone number on the cover page hereof or from the Distributor or Merrill Lynch. Certain of these services are available only to U.S. investors.

**Investment Account.** Each shareholder whose account is maintained at the Transfer Agent has an Investment Account and will receive statements from the Transfer Agent showing any reinvestment of dividends and capital gains distributions and any other activity in the account since the preceding statement. Shareholders also will receive separate confirmations for each purchase or sale transaction other than reinvestment of dividends and capital gains distributions. A shareholder may make additions to his Investment Account at any time by mailing a check directly to the Transfer Agent. Shareholders may also maintain their accounts through Merrill Lynch. Upon the transfer of shares out of a Merrill Lynch brokerage account, an Investment Account in the transferring shareholder's name will be opened automatically, without charge, at the Transfer Agent. Shareholders considering transferring their Class A shares from Merrill Lynch to another brokerage firm or financial institution should be aware that, if the firm to which the Class A shares are to be transferred will not take delivery of shares of the Fund, a shareholder either must redeem the Class A shares so that the cash proceeds can be transferred to the account at the new firm or such shareholder must continue to maintain an Investment Account at the Transfer Agent for those Class A shares. Shareholders interested in transferring their Class B shares from Merrill Lynch and who do not wish to have an Investment Account maintained for such shares at the Transfer Agent may request their new brokerage firm to maintain such shares in an account registered in the name of the brokerage firm for the benefit of the shareholder. If the new brokerage firm is willing to accommodate the shareholder in this manner, the shareholder must request that he be issued certificates for his shares and then must turn the certificates over to the new firm for re-registration as described in the preceding sentence. Shareholders considering transferring a tax-deferred retirement account such as an IRA from Merrill Lynch to another brokerage firm or financial institution should be aware that, if the firm to which the retirement account is to be transferred will not take delivery of shares of the Fund, a shareholder must either redeem the shares (paying any applicable contingent deferred sales charge) so that the cash proceeds can be transferred to the account at the new firm, or such shareholder must continue to maintain a retirement account at Merrill Lynch for those shares.

**Systematic Withdrawals and Automatic Investment Plans.** A Class A shareholder may elect to receive systematic withdrawal payments from his Investment Account in the form of payments by check or through automatic payment by direct deposit to his bank account on either a monthly or quarterly basis. A Class A shareholder whose shares are held within a CMA(R), CBA(R) or Retirement Account may elect to have shares redeemed on a monthly, bimonthly, quarterly, semiannual or annual basis through the Systematic Redemption Program, subject to certain conditions. Regular additions of Class A shares may be made to an investor's Investment Account by pre-arranged charges of \$50 or more to his regular bank account. Investors who maintain CMA accounts may arrange to have periodic investments made in the Fund in their CMA account or in certain related accounts in amounts of \$250 or more through the CMA Automatic Investment Program. The Automatic Investment Program is not available to

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shareholders whose shares are held in a brokerage account with Merrill Lynch (other than a CMA account).

**Automatic Reinvestment of Dividends and Distributions.** All dividends and capital gains distributions are automatically reinvested in full and fractional shares of the Fund, without sales charge, at the net asset value per share next determined after the close of the New York Stock Exchange on the ex-dividend date of such dividend or distribution. A shareholder may at any time, by written notification to Merrill Lynch if the shareholder's account is maintained with Merrill Lynch or by written notification or telephone call (1-800-MER-FUND) to the Transfer Agent if the shareholder's account is maintained with the Transfer Agent, elect to have subsequent dividends or capital gains distributions, or both, paid in cash, rather than reinvested, in which event payment will be mailed on or about the payment date. No deferred sales charge will be imposed on redemptions of shares issued as a result of the automatic reinvestment of dividends or capital gains distributions. The Automatic Investment Program is not available to shareholders whose shares are held in a brokerage account with Merrill Lynch other than a CMA(R) account.

**Exchange Privilege.** U.S. Class A and Class B shareholders of the Fund each have an exchange privilege with certain other mutual funds sponsored by Merrill



Lynch. There is currently no limitation on the number of times a shareholder may exercise the exchange privilege. The exchange privilege may be modified or terminated in accordance with the rules of the Securities and Exchange Commission. Class A shareholders of the Fund may exchange their shares ("outstanding Class A shares") for Class A shares of another fund ("new Class A shares") on the basis of relative net asset value per Class A share, plus an amount equal to the difference, if any, between the sales charge previously paid on the outstanding Class A shares and the sales charge payable at the time of the exchange on the new Class A shares. The Fund's exchange privilege is modified with respect to purchases of Class A shares under the Merrill Lynch Mutual Fund Adviser program. First, the initial allocation of assets is made under the program. Then, any subsequent exchange under the program of Class A shares of a fund for Class A shares of the Fund will be made solely on the basis of the relative net asset values of the shares being exchanged. Therefore, there will not be a charge for any difference between the sales charge previously paid on the shares of the other fund and the sales charge payable on the shares of the Fund being acquired in the exchange under this program.

Class B shareholders of the Fund may exchange their shares ("outstanding Class B shares") for Class B shares of another fund ("new Class B shares") on the basis of relative net asset value per share without the payment of any contingent deferred sales charge that might otherwise be due upon redemption of the outstanding Class B shares. Class B shareholders of the Fund exercising the exchange privilege will continue to be subject to the Fund's contingent deferred sales charge schedule if such schedule is higher than the deferred sales charge schedule relating to the new Class B shares. In addition, Class B shares of the Fund acquired through use of the exchange privilege will be subject to the Fund's contingent deferred sales charge schedule if such schedule is higher than the deferred sales charge schedule relating to the Class B shares of the fund from which the exchange has been made. For purposes of computing the contingent deferred sales charge that may be payable upon a disposition of the new Class B shares, the holding period for the outstanding Class B shares is "tacked" to the holding period of the new Class B shares. Class A and Class B shareholders of the Fund may also exchange their shares for shares of certain money market funds, but in the case of an exchange from Class B shares, the period of time that shares are held in a money market fund will not count toward satisfaction of the holding period requirement for purposes of reducing the contingent deferred sales charge. Exercise of

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the exchange privilege is treated as a sale for Federal income tax purposes. For further information, see "Shareholder Services--Exchange Privilege" in the Statement of Additional Information.

#### PERFORMANCE DATA

From time to time the Fund may include its average annual total return for various specified time periods in advertisements or information furnished to present or prospective shareholders. Average annual total return is computed separately for Class A and Class B shares in accordance with a formula specified by the Securities and Exchange Commission.

Average annual total return quotations for the specified periods will be computed by finding the average annual compounded rates of return (based on net investment income and any capital gains or losses on portfolio investments over such periods) that would equate the initial amount invested to the redeemable value of such investment at the end of each period. Average annual total return will be computed assuming all dividends and distributions are reinvested and taking into account all applicable recurring and nonrecurring expenses, including the maximum sales charge in the case of Class A shares and the contingent deferred sales charge that would be applicable to a complete redemption of the investment at the end of the specified period in the case of Class B shares. Dividends paid by the Fund with respect to Class A and Class B shares, to the extent any dividends are paid, will be calculated in the same manner at the same time on the same day and will be in the same amount, except that account maintenance and distribution fees and any incremental transfer agency costs relating to Class B shares will be borne exclusively by Class B shares and the account maintenance fee relating to Class A shares will be borne exclusively by Class A shares. The Fund will include performance data for both Class A and Class B shares of the Fund in any advertisement or information including performance data of the Fund.

The Fund may also quote total return and aggregate total return performance data for various specified time periods. Such data will be calculated substantially as described above, except that (1) the rates of return calculated will not be average annual rates, but rather, actual annual, annualized or aggregate rates of return, and (2) the maximum applicable sales charges will not be included with respect to annual or annualized rates of return calculations. Aside from the impact on the performance data calculations of including or excluding the maximum applicable sales charges, actual annual or annualized total return data generally will be lower than average annual total return data since the average annual rates of return reflect compounding; aggregate total return data generally will be higher than average annual total return data since

the aggregate rates of return reflect compounding over longer periods of time. In advertisements directed to investors whose purchases are subject to reduced sales charges in the case of Class A shares or waiver of the contingent deferred sales charge in the case of Class B shares (such as investors in certain retirement plans), performance data may take into account the reduced, and not the maximum, sales charge or may not take into account the contingent deferred sales charge and therefore may reflect greater total return since, due to the reduced sales charges or waiver of the contingent deferred sales charge, a lower amount of expenses may be deducted. See "Purchase of Shares". The Fund's total return may be expressed either as a percentage or as a dollar amount in order to illustrate the effect of such total return on a hypothetical \$1,000 investment in the Fund at the beginning of each specified period.

Total return figures are based on the Fund's historical performance and are not intended to indicate future performance. The Fund's total return will vary depending on market conditions, the securities

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comprising the Fund's portfolio, the Fund's operating expenses and the amount of realized and unrealized net capital gains or losses during the period. The value of an investment in the Fund will fluctuate, and an investor's shares, when redeemed, may be worth more or less than their original cost.

On occasion, the Fund may compare its performance to the Standard & Poor's 500 Composite Stock Price Index, the Dow Jones Industrial Average, or to performance data published by Lipper Analytical Services, Inc., Morningstar Publications, Inc., Money Magazine, U.S. News & World Report, Business Week, CDA Investment Technology, Inc., Forbes Magazine, Fortune Magazine or other industry publications. In addition, from time to time the Fund may include the Fund's risk-adjusted performance ratings assigned by Morningstar Publications, Inc. in advertising or supplemental sales literature. As with other performance data, performance comparisons should not be considered representative of the Fund's relative performance for any future period.

#### ADDITIONAL INFORMATION

##### DIVIDENDS AND DISTRIBUTIONS

It is the Fund's intention to distribute all its net investment income, if any. Dividends from such net investment income will be paid at least annually. All net realized long-or short-term capital gains, if any, will be distributed to the Fund's shareholders at least annually. See "Additional Information--Determination of Net Asset Value". Dividends and distributions may be reinvested automatically in shares of the Fund at net asset value without a sales charge. Shareholders may elect in writing to receive any such dividends or distributions, or both, in cash. Dividends and distributions are taxable to shareholders as discussed below whether they are reinvested in shares of the Fund or received in cash. From time to time, the Fund may declare a special distribution at or about the end of the calendar year in order to comply with a Federal income tax requirement that certain percentages of its ordinary income and capital gains be distributed during the calendar year.

The per share dividends and distributions on Class B shares will be lower than the per share dividends and distributions on Class A shares as a result of the affect of the account maintenance, distribution and higher transfer agency fees applicable with respect to the Class B shares, as compared with the account maintenance fee applicable to the Class A shares.

Certain gains or losses attributable to foreign currency gains or losses from certain forward contracts may increase or decrease the amount of the Fund's income available for distribution to shareholders. If such losses exceed other income during a taxable year, (a) the Fund would not be able to make any ordinary dividend distributions and (b) distributions made before the losses were realized would be recharacterized as a return of capital to shareholders, rather than as an ordinary dividend, reducing each shareholder's tax basis in his Fund shares for Federal income tax purposes. See "Additional Information--Taxes".

##### TAXES

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

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Dividends paid by the Fund from its ordinary income and distributions of the Fund's net realized short-term capital gains (together referred to hereafter as "ordinary income dividends") are taxable to shareholders as ordinary income. Distributions made from the Fund's net realized long-term capital gains (including long-term gains from certain transactions in futures and options) ("capital gain dividends") are taxable to shareholders as long-term capital gains, regardless of the length of time the shareholder has owned Fund shares. Distributions in excess of the Fund's earnings and profits will first reduce the adjusted tax basis of a holder's shares and, after such adjusted tax basis is reduced to zero, will constitute capital gains to such holder (assuming the shares are held as a capital asset).

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

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

Dividends and interest received by the Fund may give rise to withholding and other taxes imposed by foreign countries. Tax conventions between certain countries and the U.S. may reduce or eliminate such taxes. Shareholders may be able to claim U.S. foreign tax credits with respect to such taxes, subject to certain provisions and limitations contained in the Code. For example, certain retirement accounts cannot claim foreign tax credits on investments in foreign securities held in the Fund. If more than 50% in value of the Fund's total assets at the close of its taxable year consists of securities of foreign corporations, the Fund will be eligible, and intends, to file an election with the Internal Revenue Service pursuant to which shareholders of the Fund will be required to include their proportionate share of such withholding taxes in their U.S. income tax returns as gross income, treat such proportionate share as taxes paid by them, and deduct such proportionate share in computing their taxable incomes or, alternatively, use them as foreign tax credits against their U.S. income taxes. No deductions for foreign taxes, however, may be claimed by noncorporate shareholders who do not itemize deductions. A shareholder that is a nonresident alien individual or a foreign corporation may be subject to U.S. withholding tax on the income resulting from the Fund's election described in this paragraph but may not be able to claim a credit or deduction against such U.S. tax for the foreign taxes treated as having been paid by such shareholder. The Fund will report annually to its shareholders the amount per share of such withholding taxes.

Under certain provisions of the Code, some shareholders may be subject to a 31% withholding tax on reportable dividends, capital gain dividends and redemption payments ("backup withholding"). Generally, shareholders subject to backup withholding will be those for whom a certified taxpayer identification number is not on file with the Fund or who, to the Fund's knowledge, have furnished an

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incorrect number. When establishing an account, an investor must certify under penalty of perjury that such number is correct and that such investor is not otherwise subject to backup withholding.

The Fund may invest up to 10% of its total assets in securities of closed-end investment companies. If the Fund purchases shares of an investment company (or similar investment entity) organized under foreign law, the Fund will be treated as owning shares in a passive foreign investment company ("PFIC") for U.S. Federal income tax purposes. The Fund may be subject to U.S. Federal income tax, and an additional tax in the nature of interest (the "interest charge"), on a portion of the distributions from such a company and on gain from the disposition of the shares of such a company (collectively referred to as "excess distributions"), even if such excess distributions are paid by the Fund as a dividend to its shareholders. The Fund may be eligible to make an election with respect to certain PFICs in which it owns shares that will allow

it to avoid the taxes on excess distributions. However, such election may cause the Fund to recognize income in a particular year in excess of the distributions received from such PFICs. Alternatively, under proposed regulations the Fund would be able to elect to "mark to market" at the end of each taxable year all shares that it holds in PFICs. If it made this election, the Fund would recognize as ordinary income any increase in the value of such shares. Unrealized losses, however, would not be recognized. By making the mark-to-market election, the Fund could avoid imposition of the interest charge with respect to its distributions from PFICs, but in any particular year might be required to recognize income in excess of the distributions it received from PFICs and its proceeds from dispositions of PFIC stock.

Under Code Section 988, foreign currency gains or losses from certain debt instruments, from certain forward contracts, from futures contracts that are not "regulated futures contracts" and from unlisted options will generally be treated as ordinary income or loss. Such Code Section 988 gains or losses will generally increase or decrease the amount of the Fund's investment company taxable income available to be distributed to shareholders as ordinary income. Additionally, if Code Section 988 losses exceed other investment company taxable income during a taxable year, the Fund would not be able to make any ordinary dividend distributions, and any distributions made before the losses were realized but in the same taxable year would be recharacterized as a return of capital to shareholders, thereby reducing the basis of each shareholder's Fund shares.

If a Class A shareholder exercises the exchange privilege within 90 days of acquiring the shares, then the loss the shareholder can recognize on the exchange will be reduced (or the gain increased) to the extent the sales charge paid to the Fund reduces any sales charge the shareholder would have owed upon purchase of the new Class A shares in the absence of the exchange privilege. Instead, such sales charge will be treated as an amount paid for the new Class A shares.

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

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

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

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

#### DETERMINATION OF NET ASSET VALUE

Net asset value per share is determined once daily at 4:15 p.m., New York time, on each day during which the New York Stock Exchange is open for trading and, under certain circumstances, on other days. Any assets or liabilities initially expressed in terms of non-U.S. dollar currencies are translated into U.S. dollars at the prevailing market rates as quoted by one or more banks or dealers on the day of valuation. The net asset value is computed by dividing the value of the securities held by the Fund plus any cash or other assets (including interest and dividends accrued but not yet received) minus all liabilities (including accrued expenses) by the total number of shares outstanding at such time. Expenses, including the fees payable to the Investment Adviser and the Distributor, are accrued daily.

The per share net asset value of the Class B shares generally will be lower than the per share net asset value of the Class A shares, reflecting the daily expense accruals of the higher sum of account maintenance, distribution and transfer agency fees applicable with respect to the Class B shares, as compared with the account maintenance fee applicable to the Class A shares. It is expected, however, that the per share net asset value of the two classes will tend to converge immediately after the payment of dividends or distributions which will differ by approximately the amount of the expense accrual differential between the classes.

Portfolio securities which are traded on stock exchanges are valued at the

last sale price (regular way) on the exchange on which such securities are traded, as of the close of business on the day the securities are being valued or, lacking any sales, at the last available bid price. In cases where securities are traded on more than one exchange, the securities are valued on the exchange designated by or under the authority of the Board of Trustees as the primary market. Securities traded in the over-the-counter market are valued at the last available bid price in the over-the-counter market prior to the time of valuation. Other investments, including futures contracts and related options, are stated at market value. Securities and assets for which market quotations are not readily available are valued at fair market value as determined in good faith by or under the direction of the Board of Trustees of the Fund.

#### ORGANIZATION OF THE FUND

The Fund was organized on January 3, 1992, under the laws of the Commonwealth of Massachusetts and is a business entity commonly known as a "Massachusetts business trust". The Fund is authorized to issue an unlimited number of shares of beneficial interest of \$.10 par value of different classes. At the date of this Prospectus, the shares of the Fund are divided into Class A shares and Class B shares. Both Class A shares and Class B shares represent interests in the assets of the Fund and are identical in all respects except that the expenses of the account maintenance fee related to the Class A shares are borne solely by the Class A shares, and the expenses of the account maintenance fee and distribution fee related to the Class B shares are borne solely by the Class B shares, and Class A and Class B shareholders have exclusive voting rights with respect to matters relating to such account maintenance and distribution expenditures. See "Purchase of Shares". The Fund has received an order from the Securities and Exchange Commission permitting the issuance and sale of two classes of shares. The issuance and sale of any additional classes would require an additional order from the Securities

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and Exchange Commission. There is no assurance that such exemptive relief would be granted. Shares issued are fully paid, non-assessable and have no preemptive or conversion rights.

The Declaration of Trust of the Fund, as amended (the "Declaration"), does not require that the Fund hold an annual meeting of shareholders. However, the Fund will be required to call special meetings of shareholders in accordance with the requirements of the Investment Company Act to seek approval of new investment advisory and management arrangements, a material increase in distribution fees or a change in the fundamental policies, objective or restrictions of the Fund. The Fund also would be required to hold a special shareholders' meeting to elect new Trustees at such time as less than a majority of the Trustees holding office have been elected by shareholders. The Declaration provides that a shareholders' meeting may be called for any reason at the request of 10% of the outstanding shares of the Fund or by a majority of the Trustees.

#### SHAREHOLDER REPORTS

Only one copy of each shareholder report and certain shareholder communications will be mailed to each identified shareholder regardless of the number of accounts such shareholder has. If a shareholder wishes to receive separate copies of each report and communication for each of the shareholder's related accounts, the shareholder should notify in writing:

Financial Data Services, Inc.  
Attn: Document Evaluation Unit  
P.O. Box 45290  
Jacksonville, FL 32232-5290

The written notification should include the shareholder's name, address, tax identification number and Merrill Lynch and/or mutual fund account numbers. If you have any questions regarding this, please call your Merrill Lynch financial consultant or Financial Data Services, Inc. at 1-800-637-3863.

#### SHAREHOLDER INQUIRIES

Shareholder inquiries may be addressed to the Fund at the address or telephone number set forth on the cover page of this Prospectus.

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The Declaration, dated January 3, 1992, and subsequently amended, a copy of which is on file in the office of the Secretary of the Commonwealth of Massachusetts, provides that the name "Merrill Lynch International Equity Fund" refers to the Trustees under the Declaration collectively as Trustees, but not as individuals or personally; and no Trustee, shareholder, officer, employee or agent of the Fund shall be held to any personal liability, nor shall resort be

had to their private property for the satisfaction of any obligation or claim of said Fund, but the "Trust Property" only shall be liable.

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#### APPENDIX A

The Fund is authorized to engage in various portfolio hedging strategies. These strategies are described in more detail below:

The Fund may engage in various portfolio strategies to hedge its portfolio against investment and currency risks. These strategies include the use of options on portfolio securities, currency options and futures, options on such futures and forward foreign exchange transactions. The Fund may enter into such transactions only in connection with its hedging strategies. While the Fund's use of hedging strategies is intended to reduce the volatility of the net asset value of Fund shares, the net asset value of the Fund's shares will fluctuate. There can be no assurance that the Fund's hedging transactions will be effective. Furthermore, the Fund will only engage in hedging activities from time to time and may not necessarily be engaging in hedging activities when movements in the equity markets or currency exchange rates occur. Reference is made to the Statement of Additional Information for further information concerning these strategies.

Although certain risks are involved in options and futures transactions (as discussed below in "Risk Factors in Options, Futures and Currency Transactions"), the Investment Adviser and MLAM U.K. believe that, because the Fund will only engage in these transactions for hedging purposes, the options and futures portfolio strategies of the Fund will not subject the Fund to the risks frequently associated with the speculative use of options and futures transactions. Tax requirements may limit the Fund's ability to engage in the hedging transactions and strategies discussed below. See "Additional Information--Taxes".

Set forth below is a description of the hedging instruments the Fund may utilize with respect to investment and currency risks.

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

The Fund may not write covered call options on underlying securities in an amount exceeding 15% of the market value of its assets.

The Fund also may write put options which give the holder of the option the right to sell the underlying security to the Fund at the stated exercise price. The Fund will receive a premium for writing a put option which increases the Fund's return. The Fund writes only covered put options which means that so long as the Fund is obligated as the writer of the option, it will, through its custodian, have deposited and maintained cash, cash equivalents, U.S. Government securities or other high grade

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liquid debt or equity securities denominated in U.S. dollars or non-U.S. currencies with a securities depository with a value equal to or greater than the exercise price of the underlying securities. By writing a put, the Fund will be obligated to purchase the underlying security at a price that may be higher than the market value of that security at the time of exercise for as long as the option is outstanding. The Fund may engage in closing transactions in order to terminate put options that it has written.

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

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

In certain circumstances, the Fund may purchase call options on securities held in its portfolio on which it has written call options or on securities which it intends to purchase. The Fund will not purchase options on securities if as a result of such purchase, the aggregate cost of all outstanding options on securities held by the Fund would exceed 5% of the market value of the Fund's total assets. The Fund will engage in options transactions on exchanges and in the over-the-counter ("OTC") markets. In general, exchange traded contracts are third-party contracts (i.e., performance of the parties' obligations is guaranteed by an exchange or clearing corporation) with standardized strike prices and expiration dates. OTC options transactions are two-party contracts with terms negotiated by the buyer and seller. See "Restrictions on OTC Options" below for information as to restrictions on the use of OTC options.

**Hedging Foreign Currency Risks.** The Fund is authorized to deal in forward foreign exchange among currencies of the different countries in which it will invest and multinational currency units as a hedge against possible variations in the foreign exchange rates among these currencies. This is accomplished through contractual agreements to purchase or sell a specified currency at a specified future date (up to one year) and price set at the time of the contract. The Fund's dealings in forward foreign exchange will be limited to hedging involving either specific transactions or portfolio positions. Transaction hedging is the purchase or sale of forward foreign currency with respect to specific receivables or payables of the Fund accruing in connection with the purchase and sale of its portfolio securities, the sale and redemption of shares of the Fund, or the payment of dividends and distributions by the Fund. Position hedging is the sale of forward foreign currency with respect to portfolio security positions denominated or quoted in such foreign currency. The Fund will not speculate in forward foreign exchange. Hedging against a decline in the value of a currency does not eliminate fluctuations in the prices of portfolio securities or prevent losses if the prices of such securities decline. Such transactions also preclude the opportunity for gain if the value of the hedged currency should rise. Moreover, it may not be possible for the Fund to hedge against a devaluation that is so generally anticipated that the Fund is not able to contract to sell the currency at a price above the devaluation level it anticipates.

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The Fund is also authorized to purchase or sell listed or OTC foreign currency options, foreign currency futures and related options on foreign currency futures as a short or long hedge against possible variations in foreign exchange rates. Such transactions may be effected with respect to hedges on non-U.S. dollar denominated securities owned by the Fund, sold by the Fund but not yet delivered, or committed or anticipated to be purchased by the Fund. As an illustration, the Fund may use such techniques to hedge the stated value in U.S. dollars of an investment in a pound sterling denominated security. In such circumstances, for example, the Fund may purchase a foreign currency put option enabling it to sell a specified amount of pounds for dollars at a specified price by a future date. To the extent the hedge is successful, a loss in the value of the pound relative to the dollar will tend to be offset by an increase in the value of the put option. To offset, in whole or in part, the cost of acquiring such a put option, the Fund may also sell a call option which, if exercised, requires it to sell a specified amount of pounds for dollars at a specified price by a future date (a technique called a "straddle"). By selling such call option in this illustration, the Fund gives up the opportunity to profit without limit from increases in the relative value of the pound to the dollar.

Certain differences exist between these foreign currency hedging instruments. Foreign currency options provide the holder thereof the right to buy or sell a currency at a fixed price on a future date. Listed options are third-party contracts (i.e., performance of the parties' obligations is guaranteed by an exchange or clearing corporation) which are issued by a clearing corporation, traded on an exchange and have standardized strike prices and expiration dates. OTC options are two-party contracts and have negotiated strike prices and expiration dates. The Fund will engage in OTC options only with member banks of the Federal Reserve System and primary dealers in U.S. Government securities or with affiliates of such banks or dealers which have capital of at least \$50 million or whose obligations are guaranteed by an entity having capital of at least \$50 million or any other bank or dealer having capital of at least \$150 million or whose obligations are guaranteed by an entity having capital of at least \$150 million. A futures contract on a foreign currency is an agreement between two parties to buy and sell a specified amount of a currency for a set price on a future date. Futures contracts and options on futures contracts are traded on boards of trade or futures exchanges. The Fund

will not speculate in foreign currency options, futures or related options. Accordingly, the Fund will not hedge a currency substantially in excess of the market value of the securities which it has committed or anticipates to purchase which are denominated in such currency and, in the case of securities which have been sold by the Fund but not yet delivered, the proceeds thereof in its denominated currency. Further, the Fund will segregate at its custodian cash, liquid equity or debt securities having a market value substantially representing any subsequent decrease in the market value of such hedged security, less any initial or variation margin held in the account of its broker. The Fund may not incur potential net liabilities of more than 33 1/3% of its total assets from foreign currency options, futures or related options.

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

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

Restrictions on OTC Options. The Fund will engage in OTC options, including OTC foreign currency options and options on foreign currency futures, only with member banks of the Federal Reserve System and primary dealers in U.S. Government securities or with affiliates of such banks or dealers which have capital of at least \$50 million or whose obligations are guaranteed by an entity having capital of at least \$50 million or any other bank or dealer having capital of at least \$150 million or whose obligations are guaranteed by an entity having capital of at least \$150 million.

The staff of the Securities and Exchange Commission has taken the position that purchased OTC options and the assets used as cover for written OTC options are illiquid securities. Therefore, the Fund has adopted an investment policy pursuant to which it will not purchase or sell OTC options (including OTC options on foreign currency futures contracts) if, as a result of such transactions, the sum of the market value of OTC options currently outstanding which are held by the Fund, the market value of the underlying securities covered by OTC call options currently outstanding which were sold by the Fund and margin deposits on the Fund's existing OTC options on futures contracts exceeds 15% of the total assets of the Fund, taken at market value, together with all other assets of the Fund which are illiquid or are not otherwise readily marketable. (Under the law of certain states, the Fund presently is limited with respect to such investments to 10% of its net assets.) However, if an OTC option is sold by the Fund to a primary U.S. Government securities dealer recognized by the Federal Reserve Bank of New York and if the Fund has the unconditional contractual right to repurchase such OTC option from the dealer at a predetermined price, then the Fund will treat as illiquid such amount of the underlying securities as is equal to the repurchase price less the amount by which the option is "in-the-money" (i.e., the current market value of the underlying security minus the option's strike price). The repurchase price with the primary dealers is typically a formula price which is generally based on a multiple of the premium received for the option, plus the amount by which the option is "in-the-money". This policy as to OTC options is not a fundamental policy of the Fund and may be amended by the Board of Trustees of the Fund without the approval of the Fund's shareholders. However, the Fund will not change or modify this policy prior to change or modification by the Securities and Exchange Commission staff of its position.

Risk Factors in Options, Futures and Currency Transactions. Utilization of options and futures transactions involves the risk of imperfect correlation in movements in the price of options and futures and movements in the price of the securities or currencies which are the subject of the hedge. If the price of the options or futures moves more or less than the price of the hedged securities or currencies, the Fund will experience a gain or loss which will not be completely offset by movements in the price of the securities or currencies which are the subject of the hedge. Transactions in options and options on futures contracts involve similar risks.

The Fund intends to enter into options and futures transactions, on an exchange or in the OTC market, only if there appears to be a liquid secondary market for such options or futures or, in the case of OTC transactions, the Investment Adviser or MLAM U.K. believes the Fund can receive on each business



day at least two independent bids or offers. However, there can be no assurance that a liquid secondary market will exist at any specific time. Thus, it may not be possible to close an options or

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futures position. The inability to close options and futures positions also could have an adverse impact on the Fund's ability to hedge effectively its portfolio. There is also the risk of loss by the Fund of margin deposits or collateral in the event of bankruptcy of a broker with whom the Fund has an open position in an option, a futures contract or related option.

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

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MERRILL LYNCH INTERNATIONAL EQUITY FUND--AUTHORIZATION FORM

1. SHARE PURCHASE APPLICATION

I, being of legal age, wish to purchase ..... Class A shares or ..... Class B shares (choose one) of Merrill Lynch International Equity Fund and establish an Investment Account as described in the Prospectus.

Basis for establishing an Investment Account:

A. I enclose a check for \$ ..... payable to Financial Data Services, Inc., as an initial investment (minimum \$1,000) (subsequent investments \$50 or more). I understand that this purchase will be executed at the applicable offering price next to be determined after this Application is received by you.

B. I already own shares of the following Merrill Lynch mutual funds that would qualify for the right of accumulation as outlined in the Statement of Additional Information:

Table with 2 columns: Fund Name (1-3) and Shares (4-6). Headers: <TABLE>, <S>, <C>. Footer: </TABLE>

(Please list all Funds. Use a separate sheet of paper if necessary.)

Until you are notified by me in writing, the following options with respect to dividends and distributions are elected:

Table with 7 columns: Distribution Options, Elect, and reinvest capital gains. Headers: <TABLE>, <S>, <C>. Footer: </TABLE>

If no election is made, dividends and capital gains will be automatically reinvested at net asset value without a sales charge.

(PLEASE PRINT)

Name .....
First Name Initial Last Name
Name of Co-Owner (if any) .....
First Name Initial Last Name

Address .....

Social Security No.
or Taxpayer Identification No.

....., 19 ...

Date

(Zip Code)

Occupation ..... Name and Address of Employer .....

...

...

Under penalty of perjury, I certify (1) that the number set forth above is my correct Social Security No. or Taxpayer Identification No. and (2) that I am not subject to backup withholding (as discussed in the Prospectus under "Additional Information--Taxes") either because I have not been notified that I am subject thereto as a result of a failure to report all interest or dividends, or the Internal Revenue Service ("IRS") has notified me that I am no longer subject thereto.

INSTRUCTION: YOU MUST STRIKE OUT THE LANGUAGE IN (2) ABOVE IF YOU HAVE BEEN NOTIFIED THAT YOU ARE SUBJECT TO BACKUP WITHHOLDING DUE TO UNDERREPORTING AND IF YOU HAVE NOT RECEIVED A NOTICE FROM THE IRS THAT BACKUP WITHHOLDING HAS BEEN TERMINATED. THE UNDERSIGNED AUTHORIZES THE FURNISHING OF THIS CERTIFICATION TO OTHER MERRILL LYNCH SPONSORED MUTUAL FUNDS.

Signature of Owner ..... Signature of Co-Owner (if any) .....

In the case of co-owners, a joint tenancy with right of survivorship will be presumed unless otherwise specified.

2. LETTER OF INTENTION--CLASS A SHARES ONLY (SEE TERMS AND CONDITIONS IN THE STATEMENT OF ADDITIONAL INFORMATION)

Gentlemen:

Although I am not obligated to do so, I intend to purchase shares of Merrill Lynch International Equity Fund or any other investment company with an initial sales charge or deferred sales charge for which Merrill Lynch Funds Distributor, Inc. acts as distributor over the next 13-month period which will equal or exceed:

<S>	<C>	<C>	<C>	<C>	<C>
// \$10,000	// \$25,000	// \$50,000	// \$100,000	// \$250,000	// \$1,000,000

Each purchase will be made at the then reduced offering price applicable to the amount checked above, as described in the Merrill Lynch International Equity Fund prospectus.

I agree to the terms and conditions of the Letter of Intention. I hereby irrevocably constitute and appoint Merrill Lynch Funds Distributor, Inc., my attorney, with full power of substitution, to surrender for redemption any or all shares of Merrill Lynch International Equity Fund held as security.

<S>	<C>
By:.....	.....
Signature of Owner	Signature of Co-Owner (If registered in joint names, both must sign)

In making purchases under this letter, the following are the related accounts on which reduced offering prices are to apply:

<S>	<C>
(1) Name.....	(2) Name.....

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MERRILL LYNCH INTERNATIONAL EQUITY FUND--AUTHORIZATION FORM

3. SYSTEMATIC WITHDRAWAL PLAN--CLASS A SHARES ONLY (SEE TERMS AND CONDITIONS IN THE STATEMENT OF ADDITIONAL INFORMATION)

Minimum Requirements: \$10,000 for monthly disbursements, \$5,000 for quarterly, of shares in Merrill Lynch International Equity Fund, at cost or current offering price. Begin systematic withdrawal on ..... , 19 .. .

[Date]

Withdrawals to be made either (check one) / / Monthly / / Quarterly\* \*Quarterly withdrawals are made on the 24th day of March, June, September and December.

Specify withdrawal amount (check one): / / \$ ..... or / / ..... % of the current value of Class A shares in the account.

Specify withdrawal method: / / check or / / direct deposit to bank account (check one and complete part (a) or (b) below):

(A) I HEREBY AUTHORIZE PAYMENT BY CHECK

Draw checks payable

(check one)

/ / as indicated in Item 1.

/ / to the order of.....

Mail to (check one)

/ / the address indicated in Item 1.

/ / Name (Please Print).....

Address.....

Signature of Owner.....

Signature of Co-Owner (if any).....

(B) I HEREBY AUTHORIZE PAYMENT BY DIRECT DEPOSIT TO BANK ACCOUNT AND (IF NECESSARY) DEBIT ENTRIES AND ADJUSTMENTS FOR ANY CREDIT ENTRIES MADE IN ERROR TO MY ACCOUNT.

Specify type of account (check one): / / checking / / savings

I agree that this authorization will remain in effect until I provide written notification to Financial Data Services, Inc. amending or terminating this service.

Name on your Account.....

Bank.....

Bank # ..... Account # .....

Bank Address.....

Signature of Depositor.....Date .....

Signature of Depositor (if joint account).....

NOTE: IF AUTOMATIC DIRECT DEPOSIT IS ELECTED, YOUR BLANK, UNSIGNED CHECK MARKED "VOID" OR A DEPOSIT SLIP FROM YOUR SAVINGS ACCOUNT SHOULD ACCOMPANY THIS APPLICATION.

4. APPLICATION FOR AUTOMATIC INVESTMENT PLAN

I hereby request that Financial Data Services, Inc. draw a check or an automated clearing house ("ACH") debit on my checking account as described below each month to purchase .... Class A shares or .... Class B shares (choose one) of Merrill Lynch International Equity Fund, subject to the terms set forth below.

FINANCIAL DATA SERVICES, INC.

You are hereby authorized to draw checks or an ACH debit each month on my bank account for investment in Merrill Lynch International Equity Fund as indicated below:

Amount of each check or ACH debit \$.....

Account No.....

Please date and invest checks or draw ACH debits on the 20th day of each month beginning.....

(Month)

or as soon thereafter as possible.

I agree that you are preparing these checks or drawing these debits voluntarily at my request and that you shall not be liable for any loss arising from any delay in preparing or failure to prepare any such check or debit. If I change banks or desire to terminate or suspend this program, I agree to notify you promptly in writing.

I further agree that if a check or debit is not honored upon presentation, Financial Data Services, Inc. is authorized to discontinue immediately the Automatic Investment Plan and to liquidate sufficient shares held in my account to offset the purchase made with the returned check or dishonored debit.

.....

Date Signature of Depositor Signature of Depositor (If joint account, both must sign)

AUTHORIZATION TO HONOR CHECKS OR ACH DEBITS DRAWN BY FINANCIAL DATA SERVICES, INC.

To.....Bank (Investor's Bank)

Bank Address.....

City ..... State ..... Zip Code .....

As a convenience to me, I hereby request and authorize you to pay and charge to my account checks or ACH debits drawn on my account by and payable to Financial Data Services, Inc., Transfer Agency Mutual Fund Operations, Jacksonville, Florida 32232-5289. I agree that your rights in respect to each such check or debit shall be the same as if it were a

check drawn on you and signed personally by me. This authority is to remain in effect until revoked personally by me in writing. Until you receive such notice, you shall be fully protected in honoring any such check or debit. I further agree that if any such check or debit be dishonored, whether with or without cause and whether intentionally or inadvertently, you shall be under no liability.

.....  
Date Signature of Depositor  
.....  
Bank Account Number Signature of Depositor

(If joint account, both must sign)

NOTE: IF AUTOMATIC INVESTMENT PLAN IS ELECTED, YOUR BLANK, UNSIGNED CHECK MARKED "VOID" SHOULD ACCOMPANY THIS APPLICATION.

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5. FOR DEALER ONLY

Branch Office, Address, Stamp

This form when completed should be mailed to:  
Merrill Lynch International Equity Fund  
c/o Financial Data Services, Inc.  
Transfer Agency Mutual Fund Operations  
P.O. Box 45289  
Jacksonville, Florida 32232-5289

We hereby authorize Merrill Lynch Funds Distributor, Inc. to act as our agent in connection with transactions under this authorization form and agree to notify the Distributor of any purchases made under a Letter of Intention or Systematic Withdrawal Plan. We guarantee the shareholder's signature.

.....  
Dealer Name and Address

By .....  
Authorized Signature of Dealer

Branch F/C No.

Code .....  
F/C Last Name

Dealer's Customer A/C No.

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INVESTMENT ADVISER  
Merrill Lynch Asset Management  
Administrative Offices:  
800 Scudders Mill Road  
Plainsboro, New Jersey 08536  
Mailing Address:  
Box 9011  
Princeton, New Jersey 08543-9011  
DISTRIBUTOR  
Merrill Lynch Funds Distributor, Inc.  
Administrative Offices:  
800 Scudders Mill Road  
Plainsboro, New Jersey 08536  
Mailing Address:  
Box 9011  
Princeton, New Jersey 08543-9011  
TRANSFER AGENT  
Financial Data Services, Inc.  
Administrative Offices:  
Transfer Agency Mutual Fund Operations  
4800 Deer Lake Drive East  
Jacksonville, Florida 32246-6484  
Mailing Address:  
P.O. Box 45289  
Jacksonville, Florida 32232-5289  
CUSTODIAN  
Brown Brothers Harriman & Co.  
40 Water Street  
Boston, Massachusetts 02109  
INDEPENDENT AUDITORS  
Deloitte & Touche  
117 Campus Drive  
Princeton, New Jersey 08540  
COUNSEL  
Brown & Wood

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS, OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS, IN CONNECTION WITH THE OFFER CONTAINED IN THIS PROSPECTUS, AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE FUND, THE INVESTMENT ADVISER OR THE DISTRIBUTOR. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFERING IN ANY STATE IN WHICH SUCH OFFERING MAY NOT LAWFULLY BE MADE.

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Code #16747

Prospectus

[ART]

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MERRILL LYNCH  
INTERNATIONAL

EQUITY FUND

January 14, 1994

Distributor:  
Merrill Lynch  
Funds Distributor, Inc.

This prospectus should be  
retained for future reference.

STATEMENT OF ADDITIONAL INFORMATION

MERRILL LYNCH INTERNATIONAL EQUITY FUND  
BOX 9011, PRINCETON, NEW JERSEY 08543-9011 . PHONE NO. (609) 282-2800

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Merrill Lynch International Equity Fund (the "Fund") is a diversified, open-end management investment company seeking capital appreciation and, secondarily, income by investing in a diversified portfolio of equity securities of issuers located in countries other than the United States. The Fund is designed for investors seeking to complement their U.S. holdings through foreign equity investments. The Fund should be considered as a vehicle for diversification and not as a balanced investment program. Investments may be shifted among the various equity markets of the world outside of the U.S. depending upon management's outlook with respect to prevailing trends and developments. It is anticipated that a substantial portion of the Fund's assets will be invested in the developed countries of Europe and the Far East and that a significant portion of its assets also may be invested in developing countries. The Fund may employ a variety of investments and techniques to hedge against market and currency risk. There can be no assurance that the Fund's investment objective will be achieved.

The Fund offers two classes of shares which may be purchased at a price equal to the next determined net asset value per share, plus, in both cases, a sales charge which, at the election of the purchaser, may be imposed (i) at the time of purchase (the "Class A shares") or (ii) on a deferred basis (the "Class B shares"). These alternatives permit an investor to choose the method of purchasing shares that is most beneficial given the amount of the purchase, the length of time the investor expects to hold the shares and other circumstances. Investors should understand that the purpose and function of the deferred sales charges and ongoing account maintenance fee with respect to the Class B shares are the same as those of the initial sales charge and ongoing account maintenance fee with respect to the Class A shares. Each Class A and Class B share represents identical interests in the investment portfolio of the Fund and has the same rights, except that Class B shares bear the expenses of the account maintenance fee and distribution fee and certain other costs resulting from the deferred sales charge arrangement and that Class A shares bear the expenses of the account maintenance fee. The two classes also have different exchange privileges.

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This Statement of Additional Information of the Fund is not a prospectus and should be read in conjunction with the prospectus of the Fund, dated January 14, 1994 (the "Prospectus"), which has been filed with the Securities and Exchange Commission and can be obtained, without charge, by calling or writing the Fund at the above telephone number or address. This Statement of Additional Information has been incorporated by reference into the Prospectus.

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INVESTMENT ADVISER:  
MERRILL LYNCH ASSET MANAGEMENT  
DISTRIBUTOR:  
MERRILL LYNCH FUNDS DISTRIBUTOR, INC.  
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The date of this Statement of Additional Information is January 14, 1994.

INVESTMENT OBJECTIVE AND POLICIES

The investment objective of the Fund is to seek capital appreciation and, secondarily, income by investing in a diversified portfolio of equity securities of issuers located in countries other than the United States. Reference is made to "Investment Objective and Policies" in the Prospectus for a discussion of the investment objective and policies of the Fund.

The securities markets of many countries have at times in the past moved relatively independently of one another due to different economic, financial, political and social factors. When such lack of correlation, or negative

correlation, in movements of these securities markets occurs, it may reduce risk for the Fund's portfolio as a whole. This negative correlation also may offset unrealized gains the Fund has derived from movements in a particular market. To the extent the various markets move independently, total portfolio volatility is reduced when the various markets are combined into a single portfolio. Of course, movements in the various securities markets may be offset by changes in foreign currency exchange rates. Exchange rates frequently move independently of securities markets in a particular country. As a result, gains in a particular securities market may be affected by changes in exchange rates.

While it is the policy of the Fund generally not to engage in trading for short-term gains, Merrill Lynch Asset Management, L.P., doing business as Merrill Lynch Asset Management (the "Investment Adviser"), and Merrill Lynch Asset Management U.K. Limited, the Fund's sub-adviser ("MLAM U.K."), will effect portfolio transactions without regard to holding period if, in their judgment, such transactions are advisable in light of a change in circumstances of a particular company or within a particular industry or in general market, economic or financial conditions. As a result of the investment policies described in the Prospectus, the Fund's portfolio turnover rate may be higher than that of other investment companies. Accordingly, while the Fund anticipates that its annual portfolio turnover rate should not exceed 100% under normal conditions, it is impossible to predict portfolio turnover rates. The portfolio turnover rate is calculated by dividing the lesser of the Fund's annual sales or purchases of portfolio securities (exclusive of purchases or sales of securities whose maturities at the time of acquisition were one year or less) by the monthly average value of the securities in the portfolio during the year. For the fiscal period July 30, 1993 (commencement of operations) to November 30, 1993, the Fund's portfolio turnover rate was 17.31%. The Fund is subject to the Federal income tax requirement that less than 30% of the Fund's gross income must be derived from gains from the sale or other disposition of securities held for less than three months.

The Fund may invest in the securities of foreign issuers in the form of American Depositary Receipts (ADRs), European Depositary Receipts (EDRs), Global Depositary Receipts (GDRs) or other securities convertible into securities of foreign issuers. These securities may not necessarily be denominated in the same currency as the securities into which they may be converted. ADRs are receipts typically issued by an American bank or trust company which evidence ownership of underlying securities issued by a foreign corporation. EDRs are receipts issued in Europe which evidence a similar ownership arrangement. GDRs are receipts issued throughout the world which evidence a similar ownership arrangement. Generally, ADRs, in registered form, are designed for use in the U.S. securities markets, and EDRs, in bearer form, are designed for use in European securities markets. GDRs are tradeable both in the U.S. and Europe and are designed for use throughout the world. The Fund may invest in unsponsored ADRs, EDRs and GDRs. The issuers of unsponsored ADRs, EDRs and GDRs

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are not obligated to disclose material information in the United States, and therefore, there may not be a correlation between such information and the market value of such securities.

The U.S. Government has from time to time in the past imposed restrictions, through taxation and otherwise, on foreign investments by U.S. investors such as the Fund. If such restrictions should be reinstated, it might become necessary for the Fund to invest all or substantially all of its assets in U.S. securities. In such event, the Fund would review its investment objective and investment policies to determine whether changes are appropriate. Any changes in the investment objective or fundamental policies set forth under "Investment Restrictions" below would require the approval of the holders of a majority of the Fund's outstanding voting securities.

The Fund's ability and decisions to purchase or sell portfolio securities may be affected by laws or regulations relating to the convertibility and repatriation of assets. Because the shares of the Fund are redeemable on a daily basis on each day the Fund determines its net asset value in U.S. dollars, the Fund intends to manage its portfolio so as to give reasonable assurance that it will be able to obtain U.S. dollars to the extent necessary to meet anticipated redemptions. Under present conditions, the Investment Adviser does not believe that these considerations will have any significant effect on its portfolio strategy, although there can be no assurance in this regard.

#### HEDGING TECHNIQUES

Reference is made to the discussion concerning hedging techniques under the caption "Investment Objective and Policies--Other Investment Practices--Portfolio Strategies Involving Options, Futures and Forward Foreign Exchange Transactions" and to Appendix A in the Prospectus.

The Fund may engage in various portfolio strategies to hedge its portfolio

against investment and currency risks. These strategies include the use of options on portfolio securities, currency options and futures, and options on such futures and forward foreign currency transactions. While the Fund's use of hedging strategies is intended to reduce the volatility of the net asset value of its shares, the net asset value of the Fund's shares will fluctuate.

Although certain risks are involved in options and futures transactions (as discussed below), the Investment Adviser believes that, because the Fund will only engage in these transactions for hedging purposes, the options and futures portfolio strategies of the Fund will not subject the Fund to the risks frequently associated with the speculative use of options and futures transactions.

The following information relates to the hedging instruments the Fund may utilize with respect to currency risks.

**Writing Covered Options.** The Fund is authorized to write (i.e., sell) covered call options on the securities in which it may invest and to enter into closing purchase transactions with respect to certain of such options. A covered call option is an option where the Fund, in return for a premium, gives another party a right to buy specified securities owned by the Fund at a specified future date and price set at the time of the contract. The principal reason for writing call options is to attempt to realize, through the receipt of premiums, a greater return than would be realized on the securities alone. By writing covered call options, the Fund gives up the opportunity, while the option is in effect, to profit from any price increase in the underlying security above the option exercise price. In addition, the Fund's ability to sell the underlying security will be limited while the option is in effect unless the Fund effects a closing purchase transaction. A closing purchase transaction cancels out the Fund's position as the writer of an

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option by means of an offsetting purchase of an identical option prior to the expiration of the option it has written. Covered call options serve as a partial hedge against a decline in the price of the underlying security.

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

The Fund also may write put options which give the holder of the option the right to sell the underlying security to the Fund at the stated exercise price. The Fund will receive a premium for writing a put option which increases the Fund's return. The Fund writes only covered put options which means that so long as the Fund is obligated as the writer of the option, it will, through its custodian, have deposited and maintained cash, cash equivalents, U.S. Government securities or other high grade liquid debt or equity securities denominated in U.S. dollars or non-U.S. currencies with a securities depository with a value equal to or greater than the exercise price of the underlying securities. By writing a put, the Fund will be obligated to purchase the underlying security at a price that may be higher than the market value of that security at the time of exercise for as long as the option is outstanding. The Fund may engage in closing transactions in order to terminate put options that it has written.

**Purchasing Options.** The Fund may purchase put options to hedge against a decline in the market value of its equity holdings. By buying a put, the Fund has a right to sell the underlying security at the exercise price, thus limiting the Fund's risk of loss through a decline in the market value of the security until the put option expires. The amount of any appreciation in the value of the underlying security will be offset partially by the amount of the premium paid for the put option and any related transaction costs. Prior to its expiration, a put option may be sold in a closing sale transaction; profit or loss from the sale will depend on whether the amount received is more or less than the premium paid for the put option plus the related transaction cost. A closing sale transaction cancels out the Fund's position as the purchaser of an option by means of an offsetting sale of an identical option prior to the expiration of the option it has purchased. In certain circumstances, the Fund may purchase call options on securities held in its portfolio on which it has written call options or on securities which it intends to purchase. The Fund will not purchase options on securities if as a result of such purchase, the aggregate cost of all outstanding options on securities held by the Fund would exceed 5% of the market value of the Fund's total assets.

**Risk Factors in Options and Futures Transactions.** Utilization of options and futures transactions involves the risk of imperfect correlation in movements in the prices of options and futures contracts and movements in the prices of the securities and currencies which are the subject of the hedge. If the prices of the options and futures contract move more or less than the prices of the



hedged securities and currencies, the Fund will experience a gain or loss which will not be completely offset by movements in the prices of the securities and currencies which are the subject of the hedge.

Prior to exercise or expiration, an exchange-traded option position can only be terminated by entering into a closing purchase or sale transaction. This requires a secondary market on an exchange for call or put options of the same series. The Fund will enter into an option or futures transaction on an

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

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

Forward Foreign Exchange Transactions. Generally, the foreign exchange transactions of the Fund will be conducted on a spot, i.e., cash, basis at the spot rate for purchasing or selling currency prevailing in the foreign exchange market. This rate under normal market conditions differs from the prevailing exchange rate in an amount generally less than 1/10 of 1% due to the costs of converting from one currency to another. However, the Fund has authority to deal in forward foreign exchange between currencies of the different countries in whose securities it will invest as a hedge against possible variations in the foreign exchange rates between these currencies. This is accomplished through contractual agreements to purchase or sell a specified currency at a specified future date and price set at the time of the contract. The Fund's dealings in forward foreign exchange will be limited to hedging involving either specific transactions or portfolio positions. Transaction hedging is the purchase or sale of forward foreign currency with respect to specific receivables or payables of the Fund accruing in connection with the purchase and sale of its portfolio securities, the sale and redemption of shares of the Fund or the payment of dividends and distributions by the Fund. Position hedging is the sale of forward foreign currency with respect to portfolio security positions denominated or quoted in such foreign currency. The Fund will not speculate in forward foreign exchange. The Fund may not position hedge with respect to the currency of a particular country to an extent greater than the aggregate market value (at the time of making such sale) of the securities held in its portfolio denominated or quoted in that particular foreign currency. If the Fund enters into a position hedging transaction, its custodian will place cash or liquid securities in a separate account of the Fund in an amount equal to the value of

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the Fund's total assets committed to the consummation of such forward contract. If the value of the securities placed in the separate account declines, additional cash or securities will be placed in the account so that the value of the account will equal the amount of the Fund's commitment with respect to such contracts. The Fund will not enter into a position hedging commitment if, as a result thereof, the Fund would have more than 15% of the value of its assets committed to such contracts. The Fund will not enter into a forward contract with a term of more than one year.

Hedging against a decline in the value of a currency does not eliminate fluctuations in the prices of portfolio securities or prevent losses if the prices of such securities decline. Such transactions also preclude the

opportunity for gain if the value of the hedged currency should rise. Moreover, it may not be possible for the Fund to hedge against a devaluation that is so generally anticipated that the Fund is not able to contract to sell the currency at a price above the devaluation level it anticipates. The cost to the Fund of engaging in foreign currency transactions varies with such factors as the currencies involved, the length of the contract period and the market conditions then prevailing. Since transactions in foreign currency exchange are usually conducted on a principal basis, no fees or commissions are involved.

Repurchase Agreements. The Fund may invest in securities pursuant to repurchase agreements. Repurchase agreements may be entered into only with a member bank of the Federal Reserve System or a primary dealer in U.S. Government securities. Under such agreements, the bank or primary dealer agrees, upon entering into the contract, to repurchase the security at a mutually agreed upon time and price, thereby determining the yield during the term of the agreement. This results in a fixed rate of return insulated from market fluctuations during such period. Repurchase agreements usually cover short periods, such as under one week. Repurchase agreements may be construed to be collateralized loans by the purchaser to the seller secured by the securities transferred to the purchaser. As a purchaser, the Fund will require the seller to provide additional collateral if the market value of the securities falls below the repurchase price at any time during the term of the repurchase agreement. In the event of default by the seller under a repurchase agreement construed to be a collateralized loan, the underlying securities are not owned by the Fund but constitute only collateral for the seller's obligation to pay the repurchase price. Therefore, the Fund may suffer time delays and incur costs or possible losses in connection with the disposition of the collateral. In the event of a default under such a repurchase agreement, instead of the contractual fixed rate of return, the rate of return to the Fund shall be dependent upon intervening fluctuations of the market value of such securities and the accrued interest on the securities. In such event, the Fund would have rights against the seller for breach of contract with respect to any losses arising from market fluctuations following the failure of the seller to perform.

Lending of Portfolio Securities. Subject to investment restriction (7) below, the Fund may lend securities from its portfolio to approved borrowers and receive collateral in cash or securities issued or guaranteed by the U.S. Government which are maintained at all times in an amount equal to at least 100% of the current market value of the loaned securities. The purpose of such loans is to permit the borrowers to use such securities for delivery to purchasers when such borrowers have sold short. If cash collateral is received by the Fund, it is invested in short-term money market securities, and a portion of the yield received in respect of such investment is retained by the Fund. Alternatively, if securities are delivered to the Fund as collateral, the Fund and the borrower negotiate a rate for the loan premium to be received by the Fund for lending its portfolio securities. In either event, the total yield on the Fund's portfolio is increased by loans of its portfolio securities. The Fund will have the right to regain record

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ownership of loaned securities to exercise beneficial rights such as voting rights, subscription rights and rights to dividends, interest or other distributions. Such loans are terminable at any time. The Fund may pay reasonable finder's, administrative and custodial fees in connection with such loans. With respect to the lending of portfolio securities, there is the risk of failure by the borrower to return the securities involved in such transactions.

#### INVESTMENT RESTRICTIONS

In addition to the investment restrictions set forth in the Prospectus, the Fund has adopted the following restrictions and policies relating to the investment of its assets and its activities, which are fundamental policies and may not be changed without the approval of the holders of a majority of the Fund's outstanding voting securities (which for this purpose and under the Investment Company Act of 1940, as amended (the "Investment Company Act"), means the lesser of (i) 67% of the shares represented at a meeting at which more than 50% of the outstanding shares are represented or (ii) more than 50% of the outstanding shares). The Fund may not:

1. Make investments for the purpose of exercising control or management.

2. Purchase securities of other investment companies, except in connection with a merger, consolidation, acquisition or reorganization, or by purchase in the open market of securities of closed-end investment companies where no underwriter or dealer's commission or profit, other than customary broker's commission, is involved and only if immediately thereafter not more than (i) 3% of the total outstanding voting stock of such company is owned by the Fund, (ii) 5% of the Fund's total assets, taken at market value, would be invested in any one such company, or (iii) 10% of the Fund's total assets, taken at market value, would be invested in all such securities.

3. Purchase or sell real estate; provided that the Fund may invest in securities secured by real estate or interests therein or issued by

companies which invest in real estate or interests therein.

4. Purchase or sell commodities or commodity contracts, except that the Fund may deal in forward foreign exchange between currencies of the different countries in which it may invest and that the Fund may purchase or sell stock index and currency options, stock index futures, financial futures and currency futures contracts and related options on such futures.

5. Purchase any securities on margin, except that the Fund may obtain such short-term credit as may be necessary for the clearance of purchases and sales of portfolio securities, or make short sales of securities or maintain a short position. The payment by the Fund of initial or variation margin in connection with futures or related options transactions, if applicable, shall not be considered the purchase of a security on margin. Also, engaging in futures transactions and related options will not be deemed a short sale or maintenance of a short position in securities.

6. Make loans to other persons (except as provided in (7) below); provided that for purposes of this restriction the acquisition of bonds, debentures, or other corporate debt securities and investment in government obligations, short-term commercial paper, certificates of deposit, bankers' acceptances and repurchase agreements shall not be deemed to be the making of a loan.

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

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8. Borrow amounts in excess of 20% of its total assets, taken at market value, and then only from banks as a temporary measure for extraordinary or emergency purposes such as the redemption of Fund shares. Utilization of borrowings may exaggerate increases or decreases in an investment company's net asset value. However, the Fund will not purchase securities while borrowings exceed 5% of its total assets, except to honor prior commitments and to exercise subscription rights when outstanding borrowings have been obtained exclusively for settlements of other securities transactions. (See restriction (9) below regarding the exclusion from this restriction of arrangements with respect to options, futures contracts and options on futures contracts.)

9. Mortgage, pledge, hypothecate or in any manner transfer (except as provided in (7) above), as security for indebtedness, any securities owned or held by the Fund except as may be necessary in connection with borrowings mentioned in (8) above, and then such mortgaging, pledging or hypothecating may not exceed 10% of the Fund's total assets, taken at market value. (For the purpose of this restriction and restriction (8) above, collateral arrangements with respect to the writing of options, futures contracts, options on futures contracts, and collateral arrangements with respect to initial and variation margin are not deemed to be a pledge of assets, and neither such arrangements nor the purchase and sale of options, futures or related options are deemed to be the issuance of a senior security.)

10. Invest in securities which cannot be readily resold because of legal or contractual restrictions or which are not otherwise readily marketable if, regarding all such securities, more than 15% of its total assets, taken at market value, would be invested in such securities.

11. Underwrite securities of other issuers except insofar as the Fund may be deemed an underwriter under the Securities Act of 1933, as amended, in selling portfolio securities.

12. Purchase or sell interests in oil, gas or other mineral exploration or development programs.

The Board of Trustees has established the policy that the Fund will not purchase or retain the securities of any issuer if those individual officers and Trustees of the Fund, the officers and general partner of the Investment Adviser, the directors of such general partner or the directors and officers of the Distributor each owning beneficially more than one-half of 1% of the securities of such issuer own in the aggregate more than 5% of the securities of such issuer. Portfolio securities of the Fund may not be purchased from, sold or loaned to the Investment Adviser or its affiliates or any of their directors, general partners, officers or employees, acting as principal. The Board of Trustees has also established the policy that the Fund will not invest in securities of issuers having a record, together with predecessors, of less than three years of continuous operation if more than 5% of its total assets, taken at market value, would be invested in such securities. The Fund has adopted a policy pursuant to which it will not invest in warrants if, at the time of acquisition, its investment in warrants, valued at the lower of cost or market value, would exceed 5% of the Fund's net assets; included within such limitation, but not to exceed 2% of the Fund's net assets, are warrants which

are not listed on the New York or American Stock Exchanges. For purposes of this policy, warrants acquired by the Fund in units or attached to securities may be deemed to be without value. The Fund also has adopted a policy pursuant to which it will not invest in real estate limited partnerships or in oil, gas or mineral leases. In order to comply with certain state statutes, the Fund will not, as a matter of operating policy, mortgage, pledge or hypothecate its portfolio securities to the extent that at any time the percentage of the value of pledged securities plus the maximum sales charge will exceed 10% of the value of the Fund's shares at the

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maximum offering price. Under the law of certain states, the Fund presently is limited with respect to the investments described in investment restriction (10) above to 10% of its net assets. The policies set forth in this paragraph may be amended without the approval of the Fund's shareholders.

The staff of the Securities and Exchange Commission has taken the position that purchased over-the-counter ("OTC") options and the assets used as cover for written OTC options are illiquid securities. Therefore, the Fund has adopted an investment policy pursuant to which it will not purchase or sell OTC options if, as a result of any such transaction, the sum of the market value of OTC options currently outstanding which are held by the Fund, the market value of the underlying securities covered by OTC call options currently outstanding which were sold by the Fund and margin deposits on the Fund's existing OTC options on futures contracts exceeds 15% of the total assets of the Fund, taken at market value, together with all other assets of the Fund which are illiquid or are not otherwise readily marketable. (Under the law of certain states, the Fund presently is limited with respect to such investments to 10% of its net assets.) However, if the OTC option is sold by the Fund to a primary U.S. Government securities dealer recognized by the Federal Reserve Bank of New York and if the Fund has the unconditional contractual right to repurchase such OTC option from the dealer at a predetermined price, then the Fund will treat as illiquid such amount of the underlying securities as is equal to the repurchase price less the amount by which the option is "in-the-money" (i.e., current market value of the underlying securities minus the option's strike price). The repurchase price with the primary dealers is typically a formula price which is generally based on a multiple of the premium received for the option, plus the amount by which the option is "in-the-money". This policy as to OTC options is not a fundamental policy of the Fund and may be amended by the Board of Trustees of the Fund without the approval of the Fund's shareholders. However, the Fund will not change or modify this policy prior to the change or modification by the Securities and Exchange Commission staff of its position.

Because of the affiliation of the Investment Adviser with the Fund, the Fund is prohibited from engaging in certain transactions involving such firm or its affiliates except for brokerage transactions permitted under the Investment Company Act involving only usual and customary commissions or transactions pursuant to an exemptive order under the Investment Company Act. See "Portfolio Transactions and Brokerage". Without such an exemptive order, the Fund would be prohibited from engaging in portfolio transactions with the Investment Adviser or its affiliates acting as principal and from purchasing securities in public offerings which are not registered under the Securities Act of 1933, as amended, in which such firms or any of their affiliates participate as an underwriter or dealer.

The investment restrictions set forth in the Prospectus contain an exception that permits the Fund to purchase securities pursuant to the exercise of subscription rights, subject to the condition that such purchase will not result in the Fund ceasing to be a diversified investment company. Japanese and European corporations frequently issue additional capital stock by means of subscription rights offerings to existing shareholders at a price substantially below the market price of the shares. The failure to exercise such rights would result in the Fund's interest in the issuing company being diluted. The market for such rights is not well developed, and accordingly, the Fund may not always realize full value on the sale of rights. Therefore, the exception applies in cases where the limits set forth in the investment restrictions in the Prospectus would otherwise be exceeded by exercising rights or have already been exceeded as a result of fluctuations in the market value of the Fund's portfolio securities with the result that the Fund would otherwise be forced either to sell securities at a time when it might not otherwise have done so or to forego exercising the rights.

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#### MANAGEMENT OF THE FUND

##### TRUSTEES AND OFFICERS

The Trustees and executive officers of the Fund and their principal occupations for at least the last five years are set forth below. Unless otherwise noted, the address of each executive officer and Trustee is Box 9011, Princeton, New Jersey 08543-9011.

ARTHUR ZEIKEL--President and Trustee(1)(2)--President of the Investment Adviser since 1977 and Chief Investment Officer of the Investment Adviser since 1976; President of Fund Asset Management ("FAM") since 1977 and Chief Investment Officer since 1976; President and Director of Princeton Services, Inc. ("Princeton Services") since 1993; Executive Vice President of Merrill Lynch, Pierce, Fenner & Smith ("Merrill Lynch") since 1990 and a Senior Vice President thereof from 1985 to 1990; Executive Vice President of Merrill Lynch & Co., Inc. since 1990; Director of the Distributor.

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

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

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

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

TERRY K. GLENN--Executive Vice President(1)(2)--Executive Vice President of the Investment Adviser and FAM since 1983; Executive Vice President and Director of Princeton Services since 1993; President and Director of the Distributor since 1986.

NORMAN R. HARVEY--Senior Vice President(1)(2)--Senior Vice President of the Investment Adviser and FAM since 1982; Senior Vice President of Princeton Services since 1993.

DONALD C. BURKE--Vice President(1)(2)--Vice President and Director of Taxation of the Investment Adviser since 1990; employee of Deloitte & Touche from 1982 to 1990.

GERALD M. RICHARD--Treasurer(1)(2)--Senior Vice President and Treasurer of the Investment Adviser and FAM since 1984; Senior Vice President and Treasurer of Princeton Services since 1993; Vice President of the Distributor since 1981 and Treasurer since 1984.

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

ROBERT E. PUTNEY, III--Assistant Secretary(1)(2)--Attorney associated with the Investment Adviser since 1991; attorney in private practice prior thereto.

(1) Interested person, as defined in the Investment Company Act, of the Fund.

(2) Such Trustee or officer is a director, trustee or officer of one or more additional investment companies for which the Investment Adviser or FAM acts as investment adviser.

At December 31, 1993, the officers and Trustees of the Fund as a group (11 persons) owned an aggregate of less than 1% of the outstanding shares of the Fund. At such date, Mr. Zeikel, a Trustee of the Fund, and the other officers of the Fund, owned less than 1% of the outstanding shares of common stock of Merrill Lynch & Co., Inc.

The Fund pays each Trustee not affiliated with the Investment Adviser a fee of \$3,500 per year plus \$500 per Board meeting attended, together with such Trustee's actual out-of-pocket expenses relating to attendance at meetings. The Fund also compensates members of its audit committee, which consists of all of the non-affiliated Trustees, at a rate of \$500 per meeting attended. The Chairman of the audit committee receives an additional fee of \$250 per meeting attended. For the fiscal period July 30, 1993 (commencement of operations) to November 30, 1993, fees and expenses paid to unaffiliated Trustees aggregated \$7,950.

#### ADVISORY AND MANAGEMENT ARRANGEMENTS

Reference is made to "Management of the Fund--Advisory and Management Arrangements" in the Prospectus for certain information concerning the management and advisory arrangements of the Fund.

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

The Fund has entered into an investment advisory agreement (the "Investment Advisory Agreement") with the Investment Adviser. As described in the Prospectus, the Investment Adviser receives for its services to the Fund monthly compensation at the rate of 0.75% of the average daily net assets of the Fund. For the fiscal period July 30, 1993 (commencement of operations) to November 30, 1993, the investment advisory fees paid by the Fund to the Investment Adviser aggregated \$910,190.

The Investment Adviser has also entered into a sub-advisory agreement with MLAM U.K., a wholly-owned, indirect subsidiary of Merrill Lynch & Co., Inc. and an affiliate of the Investment Adviser, pursuant to which the Investment Adviser pays MLAM U.K. a fee in an amount to be determined from time to time by the Investment Adviser and MLAM U.K. but in no event in excess of the amount that the Investment Adviser actually receives for providing services to the Fund pursuant to the Investment Advisory Agreement. For the fiscal period July 30, 1993 (commencement of operations) to November 30, 1993, the sub-advisory fees paid by the Investment Advisor to MLAM U.K. aggregated \$86,994.

California imposes limitations on the expenses of the Fund. These expense limitations require that the Investment Adviser reimburse the Fund in an amount necessary to prevent the ordinary operating

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expenses of the Fund (excluding interest, taxes, distribution fees, brokerage fees and commissions and extraordinary charges such as litigation costs) from exceeding 2.5% of the Fund's first \$30 million of average daily net assets, 2.0% of the next \$70 million of average daily net assets and 1.5% of the remaining average daily net assets. The Investment Adviser's obligation to reimburse the Fund is limited to the amount of the investment advisory fee. No fee payment will be made to the Investment Adviser during any fiscal year which will cause such expenses to exceed the most restrictive expense limitation applicable at the time of such payment.

The Fund has received an order from the State of California partially waiving expense limitations described above. Pursuant to the terms of such order, the expense limitations that would otherwise apply are waived to the extent the Fund's expense for custodial services, management and auditing fees exceeds the average of such fees of a group of funds managed by the Investment

Adviser or its subsidiary which primarily invest domestically. For the period July 30, 1993 (commencement of operations) to November 30, 1993, no reimbursement of expenses was required pursuant to the applicable expense limitations discussed above.

The Investment Advisory Agreement obligates the Investment Adviser to provide investment advisory services and to pay all compensation of and furnish office space for officers and employees of the Fund connected with investment and economic research, trading and investment management of the Fund, as well as the fees of all Trustees of the Fund who are affiliated persons of the Investment Adviser. The Fund pays all other expenses incurred in the operation of the Fund, including, among other things, taxes; expenses for legal and auditing services; costs of printing proxies, stock certificates, shareholder reports and prospectuses and statements of additional information (except to the extent paid by the Distributor); charges of the custodian, any sub-custodian and transfer agent; expenses of redemption of shares; Securities and Exchange Commission fees; expenses of registering the shares under Federal, state or foreign laws; fees and expenses of unaffiliated Trustees; accounting and pricing costs (including the daily calculation of net asset value); insurance; interest; brokerage costs; litigation and other extraordinary or non-recurring expenses; and other expenses properly payable by the Fund. Accounting services are provided to the Fund by the Investment Adviser, and the Fund reimburses the Investment Adviser for its costs in connection with such services on a semi-annual basis. For the fiscal period July 30, 1993 (commencement of operations) to November 30, 1993, the amount of such reimbursement was \$16,960. The Distributor will pay certain promotional expenses of the Fund incurred in connection with the offering of its shares. Certain expenses will be financed by the Fund pursuant to distribution plans in compliance with Rule 12b-1 under the Investment Company Act. See "Purchase of Shares--Alternative Sales Arrangements--Distribution Plans".

Merrill Lynch & Co., Inc., Merrill Lynch Investment Management, Inc. and Princeton Services, Inc. are "controlling persons" of the Investment Adviser as defined under the Investment Company Act because of their ownership of its voting securities or their power to exercise a controlling influence over its management or policies. Similarly, the following entities may be considered "controlling persons" of MLAM U.K. for the same reasons: Merrill Lynch Europe Limited (MLAM U.K.'s parent), a subsidiary of ML International Holdings, a subsidiary of Merrill Lynch International, Inc., a subsidiary of Merrill Lynch & Co., Inc.

Duration and Termination. Unless earlier terminated as described below, the Investment Advisory Agreement and sub-advisory agreement will continue in effect for a period of two years from the date of execution and will remain in effect from year to year thereafter if approved annually (a) by the Board of Trustees of the Fund or by a majority of the outstanding shares of the Fund and (b) by a majority of the Trustees who are not parties to such contracts or interested persons (as defined in the Investment

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Company Act) of any such party. Such contracts are not assignable and may be terminated without penalty on 60 days' written notice at the option of either party thereto or by the vote of a majority of the shareholders of the Fund.

#### PURCHASE OF SHARES

Reference is made to "Purchase of Shares" in the Prospectus for certain information as to the purchase of Fund shares.

#### ALTERNATIVE SALES ARRANGEMENTS

The Fund issues two classes of shares: Class A shares are sold to investors choosing the initial sales charge alternative, and Class B shares are sold to investors choosing the deferred sales charge alternative. The two classes of shares each represent interests in the same portfolio of investments of the Fund, have the same rights and are identical in all respects, except that (i) Class B shares bear the expenses of the deferred sales arrangements, any expenses (including incremental transfer agency costs) resulting from such sales arrangements and the expenses of the account maintenance fee and (ii) that Class A shares bear the expenses of the account maintenance fee, and (iii) each class has exclusive voting rights with respect to the Rule 12b-1 distribution plan pursuant to which the account maintenance and distribution fees, in the case of the Class B shares, and the account maintenance fee, in the case of the Class A shares, is paid. The two classes also have different exchange privileges. See "Shareholder Services--Exchange Privilege".

The Fund has entered into separate distribution agreements with Merrill Lynch Funds Distributor, Inc. (the "Distributor") in connection with the continuous offering of Class A and Class B shares of the Fund (the "Distribution Agreements"). The Distribution Agreements obligate the Distributor to pay certain expenses in connection with the offering of the Class A and Class B shares of the Fund. After the prospectuses, statements of additional information and periodic reports have been prepared, set in type and mailed to shareholders, the Distributor pays for the printing and distribution of copies thereof used in connection with the offering to dealers and investors. The Distributor also pays for other supplementary sales literature and advertising costs. The Distribution Agreements are subject to the same renewal requirements and termination provisions as the Investment Advisory Agreement described under "Management of the Fund--Advisory and Management Arrangements".

Distribution Plans. Reference is made to "Purchase of Shares--Alternative Sales Arrangements--Distribution Plans" in the Prospectus for certain information with respect to the distribution plans of the Fund (each a "Distribution Plan").

The payment of the account maintenance fee and distribution fee with respect to Class B shares and the account maintenance fee with respect to Class A shares is subject to the provisions of Rule 12b-1 under the Investment Company Act. See "General Information--Description of Shares". Among other things, each Distribution Plan provides that the Distributor shall provide and the Trustees shall review quarterly reports of the disbursement of the account maintenance and distribution fees paid to the Distributor. In their consideration of the Distribution Plans, the Trustees must consider all factors they deem relevant, including information as to the benefits of the Distribution Plans to the Fund and its shareholders. Each Distribution Plan further provides that, so long as such Distribution Plan remains in effect, the selection and nomination of Trustees who are not "interested persons" of the Fund, as defined in the Investment Company Act (the "Independent Trustees"), shall be committed to the discretion of the Independent Trustees then in office. In approving each Distribution Plan in accordance with Rule 12b-1, the Independent Trustees concluded that there is a reasonable likelihood

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that such Distribution Plan will benefit the Fund and its respective shareholders. Each Distribution Plan can be terminated at any time, without penalty, by the vote of a majority of the Independent Trustees or by the vote of the holders of a majority of the outstanding Class A or Class B voting securities of the Fund voting separately by class. Neither Distribution Plan can be amended to increase materially the amount to be spent by the Fund without approval by the related class of shareholders, and all material amendments are required to be approved by the vote of Trustees, including a majority of the Independent Trustees who have no direct or indirect financial interest in such Distribution Plan, cast in person at a meeting called for that purpose. Rule 12b-1 further requires that the Fund preserve copies of the Distribution Plans and any reports made pursuant to such plans for a period of not less than six years from the date of the Distribution Plans or such reports, the first two years in an easily accessible place.

#### INITIAL SALES CHARGE ALTERNATIVE--CLASS A SHARES

For the fiscal period July 30, 1993 (commencement of operations) to November 30, 1993, the Fund sold its shares through the Distributor and Merrill Lynch, as a dealer. During the fiscal period July 30, 1993 (commencement of operations) to November 30, 1993, the Fund sold 12,240,764 Class A shares for aggregate net proceeds to the Fund of \$124,442,649. The gross sales charges for the sale of Class A shares of the Fund for that year were \$2,812,973, of which \$119,814 and \$2,693,159 were received by the Distributor and Merrill Lynch, respectively.

The term "purchase" as used in the Prospectus and this Statement of Additional Information refers to a single purchase by an individual, or to concurrent purchases, which in the aggregate are at least equal to the prescribed amounts, by an individual, his spouse and their children under the age of 21 years purchasing shares for his or their own account and single purchases by a trustee or other fiduciary purchasing shares for a single trust estate or single fiduciary account although more than one beneficiary is involved. The term "purchase" also includes purchases by any "company", as that term is defined in the Investment Company Act, but does not include purchases by any such company which has not been in existence for at least six months or which has no purpose other than the purchase of shares of the Fund or shares of other registered investment companies at a discount; provided, however, that it shall not include purchases by any group of individuals whose sole organizational nexus is that the participants therein are credit cardholders of a company, policyholders of an insurance company, customers of either a bank or broker-dealer or clients of an investment adviser.



Right of Accumulation. The reduced sales charges are applicable through a right of accumulation under which eligible investors are permitted to purchase Class A shares of the Fund at the offering price applicable to the total of (a) the dollar amount then being purchased plus (b) an amount equal to the then current net asset value or cost, whichever is higher, of the purchaser's combined holdings of the Class A and Class B shares of the Fund and of any other investment company with a sales charge for which the Distributor acts as the distributor. For any such right of accumulation to be made available, the Distributor must be provided at the time of purchase, by the purchaser or the purchaser's securities dealer, with sufficient information to permit confirmation of qualification, and acceptance of the purchase order is subject to such confirmation. The right of accumulation may be amended or terminated at any time.

Letter of Intention. Reduced sales charges are applicable to purchases aggregating \$10,000 or more of Class A shares of the Fund or any other investment company with an initial sales charge or a deferred sales charge for which the Distributor acts as the distributor made within a thirteen-month

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period starting with the first purchase pursuant to a Letter of Intention in the form provided in the Prospectus. The Letter of Intention is available only to investors whose accounts are maintained at the Fund's transfer agent. The Letter of Intention is not available to employee benefit plans for which Merrill Lynch provides plan-participant record-keeping services. The Letter of Intention is not a binding obligation to purchase any amount of Class A shares; however, its execution will result in the purchaser paying a lower sales charge at the appropriate quantity purchase level. A purchase not originally made pursuant to a Letter of Intention may be included under a subsequent Letter of Intention executed within 90 days of such purchase if the Distributor is informed in writing of this intent within such 90-day period. The value of Class A shares of the Fund and of other investment companies with an initial sales charge or a deferred sales charge for which the Distributor acts as the distributor presently held, at cost or maximum offering price (whichever is higher), on the date of the first purchase under the Letter of Intention, may be included as a credit toward completion of such Letter, but the reduced sales charge applicable to the amount covered by such Letter will be applied only to new purchases. If the total amount of shares does not equal the amount stated in the Letter of Intention (minimum of \$10,000), the investor will be notified and must pay, within 20 days of the expiration of such Letter, the difference between the sales charge on the Class A shares purchased at the reduced rate and the sales charge applicable to the shares actually purchased through the Letter. Class A shares equal to five percent of the intended amount will be held in escrow during the thirteen-month period (while registered in the name of the purchaser) for this purpose. The first purchase under the Letter of Intention must be at least five percent of the dollar amount of such Letter. If a purchase during the term of such Letter would otherwise be subject to a further reduced sales charge based on the right of accumulation, the purchaser will be entitled on that purchase and subsequent purchases to the reduced percentage sales charge which would be applicable to a single purchase equal to the total dollar value of the Class A shares then being purchased under such Letter, but there will be no retroactive reduction of the sales charges on any previous purchase.

The value of any shares redeemed or otherwise disposed of by the purchaser prior to termination or completion of the Letter of Intention will be deducted from the total purchases made under such Letter. An exchange from Merrill Lynch U.S. Treasury Money Fund, Merrill Lynch Ready Assets Trust, Merrill Lynch Retirement Reserves Money Fund or Merrill Lynch U.S.A. Government Reserves into the Fund that creates a sales charge will count toward completing a new or existing Letter of Intention from the Fund.

Retirement Plans. Class A shares are offered at net asset value to tax qualified retirement plans within the meaning of Section 401(a) of the Code and deferred compensation plans within the meaning of Sections 403(b) and 457 of the Code ("Retirement Plans"), provided the plan has \$5 million or more in existing plan assets initially invested in portfolios, mutual funds or trusts advised either directly or through a subsidiary by the Investment Adviser or FAM. Class A shares may also be offered at net asset value to Retirement Plans, provided the plan has accumulated \$5 million or more in existing plan assets invested in mutual funds advised by the Investment Adviser or FAM charging a front-end sales charge or a contingent deferred sales charge. Assets of Retirement Plans with the same sponsor or an affiliated sponsor may be aggregated. Retirement Plans that are also qualified under Section 401(k) of the Code with a salary reduction feature offering a menu of investments to plan participants ("Eligible 401(k) Plans") are also offered Class A shares at net asset value, provided such a plan initially has 1,000 or more employees eligible to participate in the plan. Employees eligible to participate in Retirement Plans of the same sponsoring employer or its affiliates may be aggregated. Any Retirement Plan which does not meet the above described qualifications to purchase Class A shares at net asset value has the option

of purchasing Class A shares at the sales charge schedule disclosed in the Prospectus, or if the Retirement Plan meets the specified requirements, then it may purchase Class B shares with a waiver of the contingent deferred sales charge upon redemption. The minimum initial and subsequent purchase requirements are waived in connection with all the above referenced Retirement Plans.

**Purchase Privilege of Certain Persons.** Trustees of the Fund, directors and trustees of certain other Merrill Lynch sponsored investment companies, directors of Merrill Lynch & Co., Inc., employees of Merrill Lynch & Co., Inc. and its subsidiaries and any trust, pension, profit-sharing or other benefit plan for such persons may purchase Class A shares of the Fund at net asset value.

Class A shares of the Fund are offered at net asset value to shareholders of Senior Floating Rate Fund (formerly known as Merrill Lynch Prime Fund, Inc.) who wish to reinvest the net proceeds from a sale of certain of their shares of common stock of Senior Floating Rate Fund in shares of the Fund. In order to exercise this investment option, Senior Floating Rate Fund shareholders must sell their Senior Floating Rate Fund shares to Senior Floating Rate Fund in connection with a tender offer conducted by Senior Floating Rate Fund and reinvest the proceeds immediately in the Fund. This investment option is available only with respect to the proceeds of Senior Floating Rate Fund shares as to which no Early Withdrawal Charge (as defined in the Senior Floating Rate Fund prospectus) is applicable. Purchase orders from Senior Floating Rate Fund shareholders wishing to exercise this investment option will be accepted only on the day that the related Senior Floating Rate Fund tender offer terminates and will be effected at the net asset value of the Fund at such day.

Class A shares of the Fund are offered at net asset value to shareholders of certain closed-end funds advised by the Investment Advisor or FAM who wish to reinvest the net proceeds from a sale of their closed-end fund shares of common stock in shares of the Fund. In order to exercise this investment option, closed-end fund shareholders must (i) sell their closed-end fund shares through Merrill Lynch and reinvest the proceeds immediately in the Fund, (ii) have acquired the shares in the closed-end fund's initial public offering or through reinvestment of dividends earned on shares purchased in such offering, (iii) have maintained their closed-end fund shares continuously in a Merrill Lynch account, and (iv) purchase a minimum of \$250 worth of Fund shares.

Class A shares of the Fund will be offered at net asset value, without a sales charge, to an investor who has a business relationship with a financial consultant who joined Merrill Lynch from another investment firm within six months prior to the date of purchase by such investor if the following conditions are satisfied. First, the investor must purchase Class A shares of the Fund with proceeds from a redemption of shares of a mutual fund that was sponsored by the financial consultant's previous firm and imposed a sales charge either at the time of purchase or on a deferred basis. Second, such redemption must have been made within 60 days prior to the investment in the Fund, and the proceeds from the redemption must have been maintained in the interim in cash or a money market fund.

**Acquisition of Certain Investment Companies.** The public offering price of Class A shares may be reduced to the net asset value per Class A share in connection with the acquisition of the assets of or merger or consolidation with a public or private investment company. The value of the assets or company acquired in a tax-free transaction may be adjusted in appropriate cases to reduce possible adverse tax consequences to the Fund which might result from an acquisition of assets having net unrealized appreciation which is disproportionately higher at the time of acquisition than the realized or unrealized appreciation of the Fund.

Reductions in or exemptions from the imposition of a sales load are due to the nature of the investors and/or the reduced sales efforts that will be needed in obtaining such investments.

#### REDEMPTION OF SHARES

Reference is made to "Redemption of Shares" in the Prospectus for certain information as to the redemption and repurchase of Fund shares.

The right to redeem shares or to receive payment with respect to any such redemption may be suspended for more than seven days only for periods during

which trading on the New York Stock Exchange is restricted as determined by the Securities and Exchange Commission or such Exchange is closed (other than customary weekend and holiday closings), for any period during which an emergency exists, as defined by the Securities and Exchange Commission, as a result of which disposal of portfolio securities or determination of the net asset value of the Fund is not reasonably practicable, and for such other periods as the Securities and Exchange Commission may by order permit for the protection of shareholders of the Fund.

The value of shares at the time of redemption may be more or less than the shareholder's cost, depending on the market value of the securities held by the Fund at such time.

#### CONTINGENT DEFERRED SALES CHARGE--CLASS B SHARES

As discussed in the Prospectus under "Purchase of Shares--Deferred Sales Charge Alternative-- Class B Shares", while Class B shares redeemed within four years of purchase are subject to a contingent deferred sales charge under most circumstances, the charge is waived on redemptions of Class B shares in connection with certain post-retirement withdrawals from an Individual Retirement Account ("IRA") or other retirement plan or following the death or disability of a Class B shareholder. Redemptions for which the waiver applies are: (a) any partial or complete redemption in connection with a tax-free distribution following retirement under a tax-deferred retirement plan or attaining age 59 1/2 in the case of an IRA or other retirement plan, or any redemption resulting from the tax-free return of an excess contribution to an IRA; or (b) any partial or complete redemption following the death or disability (as defined in the Code) of a Class B shareholder (including one who owns the Class B shares as joint tenant with his or her spouse), provided the redemption is requested within one year of the death or initial determination of disability. For the fiscal period July 30, 1993 (commencement of operations) to November 30, 1993, the Distributor received contingent deferred sales charges of \$42,743, all of which was paid to Merrill Lynch.

Retirement Plans. Any Retirement Plan which does not meet the qualifications to purchase Class A shares at net asset value has the option of purchasing Class A shares at the sales charge schedule disclosed in the Prospectus, or if the Retirement Plan meets the following requirements, then it may purchase Class B shares with a waiver of the contingent deferred sales charge upon redemption. The contingent deferred sales charge is waived for any Eligible 401(k) Plan redeeming Class B shares. The contingent deferred sales charge is also waived for redemptions from a 401(a) plan qualified under the Code, provided, however, that such plan has the same or an affiliated sponsoring employer as an Eligible 401(k) Plan purchasing Investment Adviser or FAM advised mutual fund Class B shares ("Eligible 401(a) Plan"). The contingent deferred sales charge is waived for any Class B shares which are purchased by an Eligible 401(k) Plan or Eligible 401(a) Plan and are rolled over into a Merrill Lynch or Merrill Lynch Trust Company custodied IRA and held in such account at the time of redemption. The minimum initial and subsequent purchase requirements are waived in connection with all the above referenced Retirement Plans.

#### PORTFOLIO TRANSACTIONS AND BROKERAGE

Subject to policies established by the Board of Trustees of the Fund, the Investment Adviser and MLAM U.K. are primarily responsible for the execution of the Fund's portfolio transactions and the allocation of brokerage. In executing such transactions, the Investment Adviser and MLAM U.K. seek to obtain the best net results for the Fund, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution and operational facilities of the firm involved and the firm's risk in positioning a block of securities. While the Investment Adviser and MLAM U.K. generally seek reasonably competitive commission rates, the Fund does not necessarily pay the lowest commission or spread available. The Fund has no obligation to deal with any broker or group of brokers in execution of transactions in portfolio securities. Subject to obtaining the best price and execution, brokers who provide supplemental investment research to the Investment Adviser and MLAM U.K. may receive orders for transactions by the Fund. Information so received will be in addition to and not in lieu of the services required to be performed by the Investment Adviser and MLAM U.K. under the Investment Advisory Agreement and sub-advisory agreement, respectively, and the expenses of the Investment Adviser and MLAM U.K. will not necessarily be reduced as a result of the receipt of such supplemental information. It is possible that certain supplementary investment research so received will primarily benefit one or more other investment companies or other accounts for which investment discretion is exercised. Conversely, the Fund may be the primary beneficiary of the research or services received as a result of portfolio transactions effected for such other accounts or investment companies. In addition, consistent with the Rules of Fair Practice of the National Association of Securities Dealers, Inc. and policies established by the Board of

Trustees of the Fund, the Investment Adviser and MLAM U.K. may consider sales of shares of the Fund as a factor in the selection of brokers or dealers to execute portfolio transactions for the Fund.

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

Foreign equity securities may be held by the Fund in the form of ADRs, EDRs, GDRs or other securities convertible into foreign equity securities. ADRs, EDRs and GDRs may be listed on stock exchanges or traded in over-the-counter markets in the United States or Europe, as the case may be. ADRs, like other securities traded in the United States, as well as GDRs traded in the United States, will be subject to negotiated commission rates.

The Fund may invest in securities traded in the over-the-counter markets and intends to deal directly with the dealers who make markets in the securities involved except in those circumstances where better prices and execution are available elsewhere. Under the Investment Company Act, persons affiliated with the Fund and persons who are affiliated with such affiliated persons are prohibited from dealing with the Fund as principal in the purchase and sale of securities unless a permissive order allowing such transactions is obtained from the Securities and Exchange Commission. Since transactions in the over-the-counter market usually involve transactions with dealers acting as principal for their own account, the Fund will not deal with affiliated persons, including Merrill Lynch and its affiliates, in connection with such transactions. However, affiliated persons of the Fund may serve as its

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broker in over-the-counter transactions conducted on an agency basis provided that, among other things, the fee or commission received by such affiliated broker is reasonable and fair compared to the fee or commission received by non-affiliated brokers in connection with comparable transactions. See "Investment Objective and Policies--Investment Restrictions". For the fiscal period July 30, 1993 (commencement of operations) to November 30, 1993, the Fund paid total brokerage commissions of \$16,148, of which \$1,152 or 7.13% was paid to Merrill Lynch for effecting 9.61% of the aggregate amount of transactions on which the Fund paid brokerage commissions.

The Board of Trustees has considered the possibilities of seeking to recapture for the benefit of the Fund brokerage commissions and other expenses of possible portfolio transactions by conducting portfolio transactions through affiliated entities. For example, brokerage commissions received by affiliated brokers could be offset against the advisory fee paid by the Fund. After considering all factors deemed relevant, the Board of Trustees made a determination not to seek such recapture. The Board will reconsider this matter from time to time.

Section 11(a) of the Securities Exchange Act of 1934 generally prohibits members of the U.S. national securities exchanges from executing exchange transactions for their affiliates and institutional accounts which they manage unless the member (i) has obtained prior express authorization from the account to effect such transactions, (ii) at least annually furnishes the account with the aggregate compensation received by the member in effecting such transactions, and (iii) complies with any rules the Securities and Exchange Commission has prescribed with respect to the requirements of clauses (i) and (ii). To the extent Section 11(a) would apply to Merrill Lynch acting as a broker for the Fund in any of its portfolio transactions executed on any such securities exchange of which it is a member, appropriate consents have been obtained from the Fund and annual statements as to aggregate compensation will be provided to the Fund.

#### DETERMINATION OF NET ASSET VALUE

The net asset value of the shares of the Fund is determined once daily Monday through Friday at 4:15 p.m., New York time, on each day during which the New York Stock Exchange is open for trading. The New York Stock Exchange is not open on New Year's Day, Washington's Birthday, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. The Fund also

will determine its net asset value on any day in which there is sufficient trading in its portfolio securities that the net asset value might be affected materially, but only if on any such day the Fund is required to sell or redeem shares. Net asset value is computed by dividing the value of the securities held by the Fund plus any cash or other assets (including interest and dividends accrued but not yet received) minus all liabilities (including accrued expenses) by the total number of shares outstanding at such time. Expenses, including the fee payable to the Investment Adviser and the distribution and account maintenance fees payable to the Distributor, are accrued daily. The per share net asset value of the Class B shares generally will be lower than the per share net asset value of the Class A shares, reflecting the daily expense accruals of the higher sum of account maintenance, distribution and transfer agency fees applicable with respect to the Class B shares, as compared with the account maintenance fee applicable to the Class A shares. It is expected, however, that the per share net asset value of the two classes will tend to converge immediately after the payment of dividends or distributions, which will differ by approximately the amount of the expense accrual differential between the classes.

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Portfolio securities which are traded on stock exchanges are valued at the last sale price (regular way) on the exchange on which such securities are traded, as of the close of business on the day the securities are being valued or, lacking any sales, at the last available bid price. In cases where securities are traded on more than one exchange, the securities are valued on the exchange designated by or under the authority of the Board of Trustees as the primary market. Securities traded in the over-the-counter market are valued at the last available bid price in the over-the-counter market prior to the time of valuation. When the Fund writes a call option, the amount of the premium received is recorded on the books of the Fund as an asset and an equivalent liability. The amount of the liability is subsequently valued to reflect the current market value of the option written, based upon the last asked price in the case of exchange-traded options or, in the case of options traded in the over-the-counter market, the average of the last asked price as obtained from one or more dealers. Options purchased by the Fund are valued at their last bid price in the case of exchange-traded options or, in the case of options traded in the over-the-counter market, the average of the last bid price as obtained from two or more dealers unless there is only one dealer, in which case that dealer's price is used.

Securities and assets for which market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of the Board of Trustees of the Fund. Such valuations and procedures will be reviewed periodically by the Board of Trustees.

Generally, trading in foreign securities, as well as U.S. Government securities and money market instruments, is substantially completed each day at various times prior to the close of the New York Stock Exchange. The values of such securities used in computing the net asset value of the Fund's shares are determined as of such times. Foreign currency exchange rates are also generally determined prior to the close of the New York Stock Exchange. Occasionally, events affecting the values of such securities and such exchange rates may occur between the times at which they are determined and the close of the New York Stock Exchange which will not be reflected in the computation of the Fund's net asset value. If events materially affecting the value of such securities occur during such period, then these securities will be valued at their fair value as determined in good faith by the Trustees.

#### SHAREHOLDER SERVICES

The Fund offers a number of shareholder services described below which are designed to facilitate investment in its shares. Full details as to each of such services and copies of the various plans described below can be obtained from the Fund, the Distributor or Merrill Lynch. Certain of these services are available only to U.S. investors.

#### INVESTMENT ACCOUNT

Each shareholder whose account is maintained at the transfer agent has an Investment Account and will receive statements from the transfer agent after each dividend payment showing any activity in the account since the preceding statement. Shareholders also will receive separate confirmations for each purchase or sale transaction other than reinvestment of dividends and capital gains distributions.

Share certificates are issued only for full shares and only upon the specific request of the shareholder. Issuance of certificates representing all or only part of the full shares in an Investment Account may be requested by a shareholder directly from the transfer agent.

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Shareholders considering transferring their Class A shares from Merrill Lynch to another brokerage firm or financial institution should be aware that, if the firm to which the Class A shares are to be transferred will not take delivery of shares of the Fund, a shareholder either must redeem the Class A shares so that the cash proceeds can be transferred to the account at the new firm or such shareholder must continue to maintain an Investment Account at the transfer agent for those Class A shares. Shareholders interested in transferring their Class B shares from Merrill Lynch and who do not wish to have an Investment Account maintained for such shares at the transfer agent may request their new brokerage firm to maintain such shares in an account registered in the name of the brokerage firm for the benefit of the shareholder. If the new brokerage firm is willing to accommodate the shareholder in this manner, the shareholder must request that he be issued certificates for his shares and then must turn the certificates over to the new firm for re-registration as described in the preceding sentence.

#### AUTOMATIC INVESTMENT PLAN

A U.S. shareholder may make additions to an Investment Account at any time by purchasing shares at the applicable public offering price either through the shareholder's securities dealer or by mail directly to the transfer agent, acting as agent for such securities dealer. Voluntary accumulation also can be made through a service known as the Fund's Automatic Investment Plan whereby the Fund is authorized through pre-authorized checks or automated clearing house debits of \$50 or more to charge the regular bank account of the shareholder on a regular basis to provide systematic additions to the Investment Account of such shareholder. An investor whose shares of the Fund are held within a CMA(R) account may arrange to have periodic investments made in the Fund in amounts of \$250 or more through the CMA Automatic Investment Program. The Automatic Investment Program is not available to shareholders whose shares are held in a brokerage account with Merrill Lynch other than a CMA(R) account.

#### REINVESTMENT OF DIVIDENDS AND CAPITAL GAINS DISTRIBUTIONS

Unless specific instructions to the contrary are given as to the method of payment of dividends and capital gains distributions, dividends and distributions will be reinvested automatically in additional shares of the Fund. Such reinvestment will be at the net asset value of the shares of the Fund, without sales charge, as of the close of business on the ex-dividend date of the dividend or distribution. Shareholders may elect in writing to receive either their dividends or capital gains distributions, or both, in cash, in which event payment will be mailed on or about the payment date.

Shareholders may, at any time, notify the transfer agent in writing or by telephone (1-800-MER-FUND) that they no longer wish to have their dividends and/or distributions reinvested in shares of the Fund or vice versa, and commencing ten days after receipt by the transfer agent of such notice, those instructions will be effected.

#### SYSTEMATIC WITHDRAWAL PLANS--CLASS A SHARES

A Class A shareholder may elect to make systematic withdrawals from an Investment Account on either a monthly or quarterly basis as provided below. Quarterly withdrawals are available for shareholders who have acquired Class A shares of the Fund having a value, based upon cost or the current offering price, of \$5,000 or more, and monthly withdrawals for shareholders with Class A shares with such a value of \$10,000 or more.

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At the time of each withdrawal payment, sufficient Class A shares are redeemed from those on deposit in the shareholder's account to provide the withdrawal payment specified by the shareholder. The shareholder may specify either a dollar amount or a percentage of the value of his Class A shares. Redemptions will be made at net asset value as determined at the close of business of the New York Stock Exchange on the 24th day of each month or the 24th day of the last month of each quarter, whichever is applicable. If the Exchange is not open for business on such date, the Class A shares will be redeemed at the close of business on the following business day. The check for the withdrawal payment will be mailed or the direct deposit of the withdrawal payment will be made on the next business day following redemption. When a shareholder is making systematic withdrawals, dividends and distributions on all Class A shares in the Investment Account are automatically reinvested in Fund Class A shares. A shareholder's Systematic Withdrawal Plan may be terminated at any time, without charge or penalty, by the shareholder, the Fund, the transfer agent or the Distributor.

Withdrawal payments should not be considered as dividends, yield or income. Each withdrawal is a taxable event. If periodic withdrawals continuously exceed reinvested dividends, the shareholder's original investment may be correspondingly reduced. Purchases of additional Class A shares concurrent with withdrawals are ordinarily disadvantageous to the shareholder because of sales charges and tax liabilities. The Fund will not knowingly accept purchase orders for Class A shares of the Fund from investors who maintain a Systematic Withdrawal Plan unless such purchase is equal to at least one year's scheduled withdrawals or \$1,200, whichever is greater. Periodic investments may not be made into an Investment Account in which the shareholder has elected to make systematic withdrawals.

A Class A shareholder whose shares are held within a CMA(R), CBA(R) or Retirement Account may elect to have shares redeemed on a monthly, bimonthly, quarterly, semiannual or annual basis through the Systematic Redemption Program. The minimum fixed dollar amount redeemable is \$25. The proceeds of systematic redemptions will be posted to the shareholder's account five business days after the date the shares are redeemed. Monthly systematic redemptions will be made at net asset value on the first Monday of each month; bimonthly systematic redemptions will be made at net asset value on the first Monday of every other month; and quarterly, semiannual or annual redemptions are made at net asset value on the first Monday of months selected at the shareholder's option. If the first Monday of the month is a holiday, the redemption will be processed at net asset value on the next business day. The Systematic Redemption Program is not available if Fund shares are being purchased within the account pursuant to the Automatic Investment Program. For more information on the Systematic Redemption Program, eligible shareholders should contact their Financial Consultant.

#### EXCHANGE PRIVILEGE

Class A and Class B shareholders of the Fund may exchange their Class A or Class B shares of the Fund for shares of the same class of Merrill Lynch Adjustable Rate Securities Fund, Inc., Merrill Lynch Americas Income Fund, Inc., Merrill Lynch Arizona Limited Maturity Municipal Bond Fund, Merrill Lynch Arizona Municipal Bond Fund, Merrill Lynch Balanced Fund for Investment and Retirement, Merrill Lynch Basic Value Fund, Inc., Merrill Lynch California Insured Municipal Bond Fund, Merrill Lynch California Municipal Bond Fund, Merrill Lynch California Limited Maturity Municipal Bond Fund, Merrill Lynch Capital Fund, Inc., Merrill Lynch Corporate Bond Fund, Inc., Merrill Lynch Developing Capital Markets Fund, Inc. (shares of which are deemed Class A shares for purposes of the exchange privilege), Merrill Lynch Colorado Municipal Bond Fund, Merrill Lynch Dragon Fund, Inc., Merrill Lynch EuroFund, Merrill Lynch Federal Securities Trust, Merrill Lynch

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Florida Limited Maturity Municipal Bond Fund, Merrill Lynch Florida Municipal Bond Fund, Merrill Lynch Fund For Tomorrow, Inc., Merrill Lynch Fundamental Growth Fund, Inc., Merrill Lynch Global Allocation Fund, Inc., Merrill Lynch Global Bond Fund for Investment and Retirement, Merrill Lynch Global Convertible Fund, Inc., Merrill Lynch Global Holdings, Inc. (residents of Arizona must meet investor suitability standards), Merrill Lynch Global Utility Fund, Inc., Merrill Lynch Growth Fund for Investment and Retirement, Merrill Lynch Healthcare Fund, Inc. (residents of Wisconsin must meet investor suitability standards), Merrill Lynch Latin America Fund, Inc., Merrill Lynch Maryland Municipal Bond Fund, Merrill Lynch Massachusetts Limited Maturity Municipal Bond Fund, Merrill Lynch Massachusetts Municipal Bond Fund, Merrill Lynch Michigan Limited Maturity Municipal Bond Fund, Merrill Lynch Michigan Municipal Bond Fund, Merrill Lynch Minnesota Municipal Bond Fund, Merrill Lynch Municipal Bond Fund, Inc., Merrill Lynch Municipal Intermediate Term Fund, Merrill Lynch Natural Resources Trust, Merrill Lynch New Jersey Limited Maturity Municipal Bond Fund, Merrill Lynch New Jersey Municipal Bond Fund, Merrill Lynch New York Limited Maturity Municipal Bond Fund, Merrill Lynch New York Municipal Bond Fund, Merrill Lynch North Carolina Municipal Bond Fund, Merrill Lynch Ohio Municipal Bond Fund, Merrill Lynch Oregon Municipal Bond Fund, Merrill Lynch Pacific Fund, Inc., Merrill Lynch Pennsylvania Limited Maturity Municipal Bond Fund, Merrill Lynch Pennsylvania Municipal Bond Fund, Merrill Lynch Phoenix Fund, Inc., Merrill Lynch Short-Term Global Income Fund, Inc., Merrill Lynch Special Value Fund, Inc., Merrill Lynch Strategic Dividend Fund, Merrill Lynch Technology Fund, Inc., Merrill Lynch Texas Municipal Bond Fund, Merrill Lynch Utility Income Fund, Inc. and Merrill Lynch World Income Fund, Inc. on the basis described below. In addition, Class A shareholders of the Fund may exchange their Class A shares for shares of Merrill Lynch U.S.A. Government Reserves, Merrill Lynch U.S. Treasury Money Fund and Merrill Lynch Ready Assets Trust (or Merrill Lynch Retirement Reserves Money Fund if the exchange occurs within certain retirement plans) (together, the "Class A money market funds"), and Class B shareholders of the Fund may exchange their Class B shares for shares of Merrill Lynch Government Fund, Merrill Lynch Institutional Fund, Merrill Lynch Institutional Tax-Exempt Fund and Merrill Lynch Treasury Fund (together, the "Class B money market funds") on the basis described below. Shares with a net asset value of at least \$250 are required to qualify for the exchange privilege,

and any shares utilized in an exchange must have been held by the shareholder for at least 15 days. Certain funds into which exchanges may be made may impose a redemption fee (not in excess of 2.00% of the amount redeemed) on shares purchased through the exchange privilege when such shares are subsequently redeemed, including redemption through subsequent exchanges. Such redemption fee would be in addition to any contingent deferred sales charge otherwise applicable to a redemption of Class B shares. It is contemplated that the exchange privilege may be applicable to other new mutual funds whose shares may be distributed by the Distributor.

Under the exchange privilege, each of the funds with Class A shares outstanding offers to exchange its Class A shares ("new Class A shares") for Class A shares ("outstanding Class A shares") of any of the other funds, on the basis of relative net asset value per Class A share, plus an amount equal to the difference, if any, between the sales charge previously paid on the outstanding Class A shares and the sales charge payable at the time of the exchange on the new Class A shares. With respect to outstanding Class A shares as to which previous exchanges have taken place, the "sales charge previously paid" shall include the aggregate of the sales charges paid with respect to such Class A shares in the initial purchase and any subsequent exchange. Class A shares issued pursuant to dividend reinvestment are sold on a no-load basis in each of the funds offering Class A shares. For purposes of the exchange privilege, Class A shares acquired through dividend reinvestment shall be deemed to have been sold

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with a sales charge equal to the sales charge previously paid on the Class A shares on which the dividend was paid. Based on this formula, Class A shares of the Fund generally may be exchanged into the Class A shares of the other funds or into shares of the Class A money market funds with a reduced or without a sales charge.

In addition, each of the funds with Class B shares outstanding offers to exchange its Class B shares ("new Class B shares") for Class B shares ("outstanding Class B shares") of any of the other funds on the basis of relative net asset value per Class B share, without the payment of any contingent deferred sales charge that might otherwise be due on redemption of the outstanding shares. Class B shareholders of the Fund exercising the exchange privilege will continue to be subject to the Fund's contingent deferred sales charge schedule if such schedule is higher than the deferred sales charge schedule relating to the new Class B shares acquired through use of the exchange privilege. In addition, Class B shares of the Fund acquired through use of the exchange privilege will be subject to the Fund's contingent deferred sales charge schedule if such schedule is higher than the deferred sales charge schedule relating to the Class B shares of the fund from which the exchange has been made. For purposes of computing the sales charge that may be payable on a disposition of the new Class B shares, the holding period for the outstanding Class B shares is "tacked" to the holding period of the new Class B shares. For example, an investor may exchange Class B shares of the Fund for those of Merrill Lynch Natural Resources Trust after having held the Fund Class B shares for two and a half years. The 2.0% sales charge that generally would apply to a redemption would not apply to the exchange. Three years later the investor may decide to redeem the Class B shares of Merrill Lynch Natural Resources Trust and receive cash. There will be no contingent deferred sales charge due on this redemption, since by "tacking" the two and a half year holding period of Fund Class B shares to the three year holding period for the Merrill Lynch Natural Resources Trust Class B shares, the investor will be deemed to have held the new Class B shares for more than five years.

Shareholders also may exchange Class A shares and Class B shares from any of the funds into shares of the Class A money market funds and Class B money market funds, respectively, but the period of time that Class B shares are held in a Class B money market fund will not count towards satisfaction of the holding period requirement for purposes of reducing the contingent deferred sales charge. However, shares of a Class B money market fund which were acquired as a result of an exchange for Class B shares of a fund may, in turn, be exchanged back into Class B shares of any fund offering such shares, in which event the holding period for Class B shares of the fund will be aggregated with previous holding periods for purposes of reducing the contingent deferred sales charge. Thus, for example, an investor may exchange Class B shares of the Fund for shares of Merrill Lynch Institutional Fund after having held the Fund Class B shares for two and a half years and three years later decide to redeem the shares of Merrill Lynch Institutional Fund for cash. At the time of this redemption, the 2.0% contingent deferred sales charge that would have been due had the Class B shares of the Fund been redeemed for cash rather than exchanged for shares of Merrill Lynch Institutional Fund will be payable. If instead of such redemption the shareholder exchanged such shares for Class B shares of a fund which the shareholder continues to hold for an additional two and a half years, any subsequent redemption will not incur a contingent deferred sales charge.

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Below is a description of the investment objectives of the other funds into which exchanges can be made:

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MERRILL LYNCH ADJUSTABLE RATE SECURITIES FUND, INC. ....	High current income consistent with a policy of limiting the degree of fluctuation in net asset value by investing primarily in a portfolio of adjustable rate securities, consisting principally of mortgage-backed and asset-backed securities.
MERRILL LYNCH AMERICAS INCOME FUND, INC. ....	A high level of current income, consistent with prudent investment risk, by investing primarily in debt securities denominated in a currency of a country located in the Western Hemisphere (i.e., North and South America and the surrounding waters).
MERRILL LYNCH ARIZONA LIMITED MATURITY MUNICIPAL BOND FUND.....	A portfolio of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust, a series fund, whose objective is to provide as high a level of income exempt from Federal and Arizona income taxes as is consistent with prudent investment management through investment in a portfolio primarily of intermediate-term investment grade Arizona Municipal Bonds.
MERRILL LYNCH ARIZONA MUNICIPAL BOND FUND.....	A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is to provide investors with as high a level of income exempt from Federal and Arizona income taxes as is consistent with prudent investment management.
MERRILL LYNCH BALANCED FUND FOR INVESTMENT AND RETIREMENT.....	As high a level of total investment return as is consistent with reasonable risk by investing in common stocks and other types of securities, including fixed income securities and convertible securities.
MERRILL LYNCH BASIC VALUE FUND, INC. ....	Capital appreciation and, secondarily, income through investment in securities, primarily equities, that are undervalued and therefore represent basic investment value.
MERRILL LYNCH CALIFORNIA INSURED MUNICIPAL BOND FUND.....	A portfolio of Merrill Lynch California Municipal Series Trust, a series fund, whose objective is to provide shareholders with as high a level of income exempt from Federal and California income taxes as is consistent with prudent investment management through investment in a portfolio consisting primarily of insured California Municipal Bonds.
MERRILL LYNCH CALIFORNIA MUNICIPAL BOND FUND.....	A portfolio of Merrill Lynch California Municipal Series Trust, a series fund, whose objective is to provide investors with as high a level of income exempt from Federal and California income taxes as is consistent with prudent investment management.
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MERRILL LYNCH CALIFORNIA LIMITED MATURITY MUNICIPAL BOND FUND.....	A portfolio of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust, a series fund, whose objective is to provide shareholders with as high a level of income exempt from Federal and California income taxes as is consistent with prudent investment management through investment in a portfolio primarily of intermediate-term investment grade California Municipal Bonds.
MERRILL LYNCH CAPITAL FUND, INC. ....	The highest total investment return consistent with prudent risk through a fully managed investment policy utilizing equity, debt and convertible securities.
MERRILL LYNCH COLORADO MUNICIPAL BOND FUND.....	A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is as high a level of income exempt from Federal and Colorado income taxes as is consistent with prudent investment management.
MERRILL LYNCH CORPORATE BOND FUND, INC. ....	Current income from three separate diversified portfolios of fixed income securities.
MERRILL LYNCH DEVELOPING CAPITAL MARKETS FUND, INC.....	Long-term appreciation through investment in securities, principally equities, of issuers in countries having smaller capital markets.
MERRILL LYNCH DRAGON FUND, INC. ....	Capital appreciation primarily through investment in equity and debt securities of issuers domiciled in developing countries located in Asia and the Pacific Basin, other than Japan, Australia and New Zealand.
MERRILL LYNCH EUROFUND.....	Capital appreciation primarily through investment in equity

MERRILL LYNCH FEDERAL SECURITIES TRUST....	securities of corporations domiciled in Europe. High current return through investments in U.S. Government and Government agency securities, including GNMA mortgage-backed certificates and other mortgage-backed Government securities.
MERRILL LYNCH FLORIDA LIMITED MATURITY MUNICIPAL BOND FUND.....	A portfolio of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust, a series fund, whose objective is as high a level of income exempt from Federal income taxes as is consistent with prudent investment management while serving to offer shareholders the opportunity to own securities exempt from Florida intangible personal property taxes through investment in a portfolio primarily of intermediate-term investment grade Florida Municipal Bonds.
MERRILL LYNCH FLORIDA MUNICIPAL BOND FUND.....	A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is as high a level of income exempt from Federal income taxes as is consistent with prudent investment management while seeking to offer shareholders the opportunity to own securities exempt from Florida intangible personal property taxes.

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MERRILL LYNCH FUND FOR TOMORROW, INC. ....	Long-term growth through investment in a portfolio of good quality securities, primarily common stock, potentially positioned to benefit from demographic and cultural changes as they affect consumer markets.
MERRILL LYNCH FUNDAMENTAL GROWTH FUND, INC. ....	Long-term growth through investment in a diversified portfolio of equity securities placing particular emphasis on companies that have exhibited above-average growth rate in earnings.
MERRILL LYNCH GLOBAL ALLOCATION FUND, INC. ....	High total return consistent with prudent risk, through a fully managed investment policy utilizing U.S. and foreign equity, debt and money market securities, the combination of which will be varied from time to time both with respect to the types of securities and markets in response to changing market and economic trends.
MERRILL LYNCH GLOBAL BOND FUND FOR INVESTMENT AND RETIREMENT.....	High total investment return from investment in a global portfolio of debt investments denominated in various currencies and multinational currency units.
MERRILL LYNCH GLOBAL CONVERTIBLE FUND, INC. ....	High total return from investment primarily in an internationally diversified portfolio of convertible debt securities, convertible preferred stock and "synthetic" convertible securities consisting of a combination of debt securities or preferred stock and warrants or options.
MERRILL LYNCH GLOBAL HOLDINGS (residents of Arizona must meet investor suitability standards).....	The highest total investment return consistent with prudent risk through worldwide investment in an internationally diversified portfolio of securities.
MERRILL LYNCH GLOBAL UTILITY FUND, INC. ....	Capital appreciation and current income through investment of at least 65% of its total assets in equity and debt securities issued by domestic and foreign companies which are primarily engaged in the ownership or operation of facilities used to generate, transmit or distribute electricity, telecommunications, gas or water.
MERRILL LYNCH GOVERNMENT FUND.....	A portfolio of Merrill Lynch Funds for Institutions Series, a series fund, whose objective is to provide current income consistent with liquidity and security of principal from investment in securities issued or guaranteed by the U.S. Government, its agencies and instrumentalities and in repurchase agreements secured by such obligations.
MERRILL LYNCH GROWTH FUND FOR INVESTMENT AND RETIREMENT.....	Growth of capital and, secondarily, income from investment in a diversified portfolio of equity securities placing principal emphasis on those securities which management of the fund believes to be undervalued.

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MERRILL LYNCH HEALTHCARE FUND, INC. (residents of Wisconsin must meet investor suitability standards).....	Capital appreciation through worldwide investment in equity securities of companies that derive or are expected to derive a

substantial portion of their sales from products and services in healthcare.

MERRILL LYNCH INSTITUTIONAL FUND.....	A portfolio of Merrill Lynch Funds for Institutions Series, a series fund, whose objective is to provide maximum current income consistent with liquidity and the maintenance of a high quality portfolio of money market securities.
MERRILL LYNCH INSTITUTIONAL TAX-EXEMPT FUND.....	Current income exempt from Federal income taxes, preservation of capital and liquidity available from investing in a diversified portfolio of short-term, high quality municipal bonds.
MERRILL LYNCH LATIN AMERICA FUND, INC.....	Capital appreciation by investing primarily in Latin American equity and debt securities.
MERRILL LYNCH MARYLAND MUNICIPAL BOND FUND.....	A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is as high a level of income exempt from Federal and Maryland income taxes as is consistent with prudent investment management.
MERRILL LYNCH MASSACHUSETTS LIMITED MATURITY MUNICIPAL BOND FUND.....	A portfolio of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust, a series fund, whose objective is as high a level of income exempt from Federal and Massachusetts income taxes as is consistent with prudent investment management through investment in a portfolio primarily of intermediate-term investment grade Massachusetts Municipal Bonds.
MERRILL LYNCH MASSACHUSETTS MUNICIPAL BOND FUND.....	A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is as high a level of income exempt from Federal and Massachusetts income taxes as is consistent with prudent investment management.
MERRILL LYNCH MICHIGAN LIMITED MATURITY MUNICIPAL BOND FUND.....	A portfolio of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust, a series fund, whose objective is as high a level of income exempt from Federal and Michigan income taxes as is consistent with prudent investment management through investment in a portfolio primarily of intermediate-term investment grade Michigan Municipal Bonds.
MERRILL LYNCH MICHIGAN MUNICIPAL BOND FUND.....	A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is as high a level of income exempt from Federal and Michigan income taxes as is consistent with prudent investment management.

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MERRILL LYNCH MINNESOTA MUNICIPAL BOND FUND.....	A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is as high a level of income exempt from Federal and Minnesota income taxes as is consistent with prudent investment management.
MERRILL LYNCH MUNICIPAL BOND FUND, INC. ....	Tax-exempt income from three separate diversified portfolios of municipal bonds.
MERRILL LYNCH MUNICIPAL INTERMEDIATE TERM FUND.....	Currently the only portfolio of Merrill Lynch Municipal Series Trust, a series fund, whose objective is to provide as high a level as possible of income exempt from Federal income taxes by investing in investment grade obligations with a dollar weighted average maturity of five to twelve years.
MERRILL LYNCH NATURAL RESOURCES TRUST.....	Long-term growth and protection of capital from investment in securities of domestic and foreign companies that possess substantial natural resource assets.
MERRILL LYNCH NEW JERSEY LIMITED MATURITY MUNICIPAL BOND FUND.....	A portfolio of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust, a series fund, whose objective is as high a level of income exempt from Federal and New Jersey income taxes as is consistent with prudent investment management through a portfolio primarily of intermediate-term investment grade New Jersey Municipal Bonds.
MERRILL LYNCH NEW JERSEY MUNICIPAL BOND FUND.....	A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is as high a level of income exempt from Federal and New Jersey income taxes as is consistent with prudent investment management.
MERRILL LYNCH NEW YORK LIMITED MATURITY MUNICIPAL BOND FUND....	A portfolio of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust, a series fund, whose objective is as high a level of income exempt from Federal, New York State and New York City income taxes as is consistent with prudent investment management through investment in a portfolio primarily of intermediate-term investment grade New York Municipal Bonds.

MERRILL LYNCH NEW YORK MUNICIPAL BOND FUND..... A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is as high a level of income exempt from Federal, New York State and New York City income taxes as is consistent with prudent investment management.

MERRILL LYNCH NORTH CAROLINA MUNICIPAL BOND FUND..... A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is as high a level of income exempt from Federal and North Carolina income taxes as is consistent with prudent investment management.

</TABLE>

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MERRILL LYNCH OHIO MUNICIPAL BOND FUND.... A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is as high a level of income exempt from Federal and Ohio income taxes as is consistent with prudent investment management.

MERRILL LYNCH OREGON MUNICIPAL BOND FUND..... A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is as high a level of income exempt from Federal and Oregon income taxes as is consistent with prudent investment management.

MERRILL LYNCH PACIFIC FUND, INC. .... Capital appreciation by investing in equity securities of corporations domiciled in Far Eastern and Western Pacific countries, including Japan, Australia, Hong Kong, Singapore and the Philippines.

MERRILL LYNCH PENNSYLVANIA LIMITED MATURITY MUNICIPAL BOND FUND..... A portfolio of Merrill Lynch Multi-State Limited Maturity Municipal Series Trust, a series fund, whose objective is to provide as high a level of income exempt from Federal and Pennsylvania income taxes as is consistent with prudent investment management through investment in a portfolio of intermediate-term investment grade Pennsylvania Municipal Bonds.

MERRILL LYNCH PENNSYLVANIA MUNICIPAL BOND FUND..... A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is as high a level of income exempt from Federal and Pennsylvania income taxes as is consistent with prudent investment management.

MERRILL LYNCH PHOENIX FUND, INC. .... Long-term growth of capital by investing in equity and fixed income securities, including tax-exempt securities, of issuers in weak financial condition or experiencing poor operating results believed to be undervalued relative to the current or prospective condition of such issuer.

MERRILL LYNCH READY ASSETS TRUST..... Preservation of capital, liquidity and the highest possible current income consistent with the foregoing objectives from the short-term money market securities in which the Trust invests.

MERRILL LYNCH RETIREMENT RESERVES MONEY FUND (available only if the exchange occurs within certain retirement plans)..... Currently the only portfolio of Merrill Lynch Retirement Series Trust, a series fund, whose objectives are current income, preservation of capital and liquidity available from investing in a diversified portfolio of short-term money market securities.

MERRILL LYNCH SHORT-TERM GLOBAL INCOME FUND, INC. .... As high a level of current income as is consistent with prudent investment management from a global portfolio of high quality debt securities denominated in various currencies and multinational currency units and having remaining maturities not exceeding three years.

</TABLE>

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MERRILL LYNCH SPECIAL VALUE FUND, INC. ... Long-term growth of capital from investments in securities, primarily common stocks, of relatively small companies believed to have special investment value and emerging growth companies regardless of size.

MERRILL LYNCH STRATEGIC DIVIDEND FUND..... Long-term total return from investment in dividend paying common stocks which yield more than Standard & Poor's 500 Composite Stock Price Index.

MERRILL LYNCH TECHNOLOGY FUND, INC. .... Capital appreciation through worldwide investment in equity securities of companies that derive or are expected to derive a substantial portion of their sales from products and services in technology.

MERRILL LYNCH TEXAS MUNICIPAL BOND FUND... A portfolio of Merrill Lynch Multi-State Municipal Series Trust, a series fund, whose objective is as high a level of income exempt from Federal income taxes as is consistent with prudent investment management by investing primarily in a portfolio of long-term,

	investment grade obligations issued by the State of Texas, its political subdivisions, agencies and instrumentalities.
MERRILL LYNCH TREASURY FUND.....	A portfolio of Merrill Lynch Funds for Institutions Series, a series fund, whose objective is to provide current income consistent with liquidity and security of principal from investment in direct obligations of the U.S. Treasury and up to 10% of its total assets in repurchase agreements secured by such obligations.
MERRILL LYNCH U.S.A. GOVERNMENT RESERVES.....	Preservation of capital, current income and liquidity available from investing in direct obligations of the U.S. Government and repurchase agreements relating to such securities.
MERRILL LYNCH U.S. TREASURY MONEY FUND....	Preservation of capital, liquidity and current income through investment exclusively in a diversified portfolio of short-term marketable securities which are direct obligations of the U.S. Treasury.
MERRILL LYNCH UTILITY INCOME FUND, INC....	High current income through investment in equity and debt securities issued by companies which are primarily engaged in the ownership or operation of facilities used to generate, transmit or distribute electricity, telecommunications, gas or water.
MERRILL LYNCH WORLD INCOME FUND, INC. ....	High current income by investing in a global portfolio of fixed income securities denominated in various currencies, including multinational currencies.

</TABLE>

Before effecting an exchange, shareholders of the Fund should obtain a currently effective prospectus of the fund into which the exchange is to be made. Exercise of the exchange privilege is treated as a sale for Federal income tax purposes and, depending on the circumstances, a short-or long-term capital gain or loss may be realized. In addition, a shareholder exchanging shares of any of the

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funds may be subject to a backup withholding tax unless such shareholder certifies under penalty of perjury that the taxpayer identification number on file with any such fund is correct and that such shareholder is not otherwise subject to backup withholding. See "Taxes" below.

To exercise the exchange privilege, shareholders should contact their Merrill Lynch financial consultant, who will advise the Fund of the exchange, or if the exchange does not involve a money market fund, the shareholder may write to the transfer agent requesting that the exchange be effected. Such letter must be signed exactly as the account is registered with signatures guaranteed by an "eligible guarantor institution" (including, for example, Merrill Lynch branches and certain other financial institutions) as such is defined in Rule 17Ad-15 under the Securities Exchange Act of 1934, as amended, the existence and validity of which may be verified by the transfer agent through the use of industry publications. Shareholders of the Fund, and shareholders of the other funds described above with shares for which certificates have not been issued, may exercise the exchange privilege by wire through their securities dealers. The Fund reserves the right to require a properly completed exchange application. This exchange privilege may be modified or terminated in accordance with the rules of the Securities and Exchange Commission. The Fund reserves the right to limit the number of times an investor may exercise the exchange privilege. Certain funds may suspend the continuous offering of their shares to the general public at any time and may thereafter resume such offering from time to time. The exchange privilege is available only to U.S. shareholders in states where the exchange legally may be made.

#### TAXES

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

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

shareholder.

Dividends are taxable to shareholders even though they are reinvested in additional shares of the Fund. Not later than 60 days after the close of its taxable year, the Fund will provide its shareholders with a written notice designating the amounts of any ordinary income dividends or capital gain dividends. A portion of the Fund's ordinary income dividends may be eligible for the dividends received deduction allowed to corporations under the Code, if certain requirements are met. For this purpose, the

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Fund will allocate dividends eligible for the dividends received deduction between the Class A and Class B shareholders according to a method (which it believes is consistent with the Securities and Exchange Commission exemptive order permitting the issuance and sale of two classes of stock) that is based on the gross income allocable to Class A and Class B shareholders during the taxable year, or such other method as the Internal Revenue Service may prescribe. If the Fund pays a dividend in January that was declared in the previous October, November or December to shareholders of record on a specified date in one of such months, then such dividend will be treated for tax purposes as being paid by the Fund and received by its shareholders on December 31 of the year in which such dividend was declared.

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

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

Dividends and interest received by the Fund may give rise to withholding and other taxes imposed by foreign countries. Tax conventions between certain countries and the U.S. may reduce or eliminate such taxes. Shareholders may be able to claim U.S. foreign tax credits with respect to such taxes, subject to certain provisions and limitations contained in the Code. For example, certain retirement accounts cannot claim foreign tax credits on investments in foreign securities held in the Fund. If more than 50% in value of the Fund's total assets at the close of its taxable year consists of securities of foreign corporations, the Fund will be eligible, and intends, to file an election with the Internal Revenue Service pursuant to which shareholders of the Fund will be required to include their proportionate share of such withholding taxes in their U.S. income tax returns as gross income, treat such proportionate share as taxes paid by them and deduct such proportionate share in computing their taxable incomes or, alternatively, use them as foreign tax credits against their U.S. income taxes. No deductions for foreign taxes, however, may be claimed by noncorporate shareholders who do not itemize deductions. A shareholder that is a nonresident alien individual or a foreign corporation may be subject to U.S. withholding tax on the income resulting from the Fund's election described in this paragraph but may not be able to claim a credit or deduction against such U.S. tax for the foreign taxes treated as having been paid by such shareholder. The Fund will report annually to its shareholders the amount per share of such withholding taxes. For this purpose, the Fund will allocate foreign taxes and foreign source income between the Class A and Class B shareholders according to a method similar to that described above for the allocation of dividends eligible for the dividends received deduction.

If a Class A shareholder exercises the exchange privilege within 90 days of acquiring the shares, then the loss the shareholder can recognize on the exchange will be reduced (or the gain increased) to the extent the sales charge paid to the Fund reduces any sales charge the shareholder would have owed upon purchase of the new Class A shares in the absence of the exchange privilege. Instead, such sales charge will be treated as an amount paid for the new Class A shares.

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The Code requires the RIC to pay a nondeductible 4% excise tax to the extent the RIC does not distribute, during each calendar year, 98% of its

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

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

#### TAX TREATMENT OF OPTIONS, FUTURES AND FORWARD FOREIGN EXCHANGE TRANSACTIONS

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

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

Code Section 1092, which applies to certain "straddles", may affect the taxation of the Fund's transactions in options and futures contracts. Under Section 1092, the Fund may be required to

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postpone recognition for tax purposes of losses incurred in certain closing transactions in options and futures contracts.

One of the requirements for qualification as a RIC is that less than 30% of the Fund's gross income may be derived from gains from the sale or other disposition of securities held for less than three months. Accordingly, the Fund may be restricted in effecting closing transactions within three months after entering into an options or futures contract.

#### SPECIAL RULES FOR CERTAIN FOREIGN CURRENCY TRANSACTIONS

In general, gains from "foreign currencies" and from foreign currency options, foreign currency futures and forward foreign exchange contracts relating to investments in stock, securities or foreign currencies will be qualifying income for purposes of determining whether the Fund qualifies as a RIC. It is currently unclear, however, who will be treated as the issuer of a

foreign currency instrument or how foreign currency options, foreign currency futures and forward foreign exchange contracts will be valued for purposes of the RIC diversification requirements applicable to the Fund. The Fund may request a private letter ruling from the Internal Revenue Service on some or all of these issues.

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

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

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

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

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

PERFORMANCE DATA

From time to time the Fund may include its average annual total return and other total return data in advertisements or information furnished to present or prospective shareholders. Total return figures are based on the Fund's historical performance and are not intended to indicate future performance. Average annual total return is determined separately for Class A shares and Class B shares in accordance with a formula specified by the Securities and Exchange Commission.

Average annual total return quotations for the specified periods are computed by finding the average annual compounded rates of return (based on net investment income and any realized and unrealized capital gains or losses on portfolio investments over such periods) that would equate the initial amount invested to the redeemable value of such investment at the end of each period. Average annual total return is computed assuming all dividends and distributions are reinvested and taking into account all applicable recurring and nonrecurring expenses, including the maximum sales charge in the case of Class A shares and the contingent deferred sales charge that would be applicable to a complete redemption of the investment at the end of the specified period in the case of Class B shares.

The Fund also may quote annual, average annual and annualized total return and aggregate total return performance data, both as a percentage and as a dollar amount based on a hypothetical \$1,000 investment, for various periods other than those noted below. Such data will be computed as described above, except that (1) as required by the periods of the quotations, actual annual,



annualized or aggregate data, rather than average annual data, may be quoted, and (2) the maximum applicable sales charges will not be included with respect to annual or annualized rates of return calculations. Aside from the impact on the performance data calculations of including or excluding the maximum applicable sales charges, actual annual or annualized total return data generally will be lower than average annual total return data since the average rates of return reflect compounding of return; aggregate total return data generally will be higher than average annual total return data since the aggregate rates of return reflect compounding over a longer periods of time.

Set forth below is total return information for the Class A and Class B shares of the Fund for the period indicated.

<TABLE>  
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PERIOD	CLASS A SHARES		CLASS B SHARES	
	EXPRESSED AS A PERCENTAGE BASED ON A HYPOTHETICAL \$1,000 INVESTMENT	REDEEMABLE VALUE OF A HYPOTHETICAL \$1,000 INVESTMENT AT THE END OF THE PERIOD	EXPRESSED AS A PERCENTAGE BASED ON A HYPOTHETICAL \$1,000 INVESTMENT	REDEEMABLE VALUE OF A HYPOTHETICAL \$1,000 INVESTMENT AT THE END OF THE PERIOD
AVERAGE ANNUAL TOTAL RETURN (INCLUDING MAXIMUM APPLICABLE SALES CHARGES)				
July 30, 1993 (commencement of operations) to November 30, 1993...	-10.31%	\$ 964.00	-3.23%	\$ 989.00
ANNUAL TOTAL RETURN (EXCLUDING MAXIMUM APPLICABLE SALES CHARGES)				
July 30, 1993 (commencement of operations) to November 30, 1993...	3.10%	\$ 1,031.00	2.90%	\$ 1,029.00
AGGREGATE TOTAL RETURN (INCLUDING MAXIMUM APPLICABLE SALES CHARGES)				
July 30, 1993 (commencement of operations) to November 30, 1993...	-3.60%	\$ 964.00	-1.10%	\$ 989.00

</TABLE>

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In order to reflect the reduced sales charges, in the case of Class A shares, or the waiver of the contingent deferred sales charge, in the case of Class B shares, applicable to certain investors, as described under "Purchase of Shares" and "Redemption of Shares", respectively, the total return data quoted by the Fund in advertisements directed to such investors may take into account reduced, and not the maximum, sales charge or may not take into account the contingent deferred sales charge and therefore may reflect greater total return since, due to the reduced sales charges or the waiver of sales charges, a lower amount of expenses may be deducted.

#### GENERAL INFORMATION

##### DESCRIPTION OF SHARES

The Declaration of Trust of the Fund permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest, par value \$0.10 per share, of different classes and to divide or combine the shares of each class into a greater or lesser number of shares without thereby changing the proportionate beneficial interest in the Fund. At the date of this Statement of Additional Information, the shares of the Fund are divided into Class A shares and Class B shares. Under the Declaration of Trust, the Trustees have the authority to issue separate classes of shares which would represent interests in the assets of the Fund and have identical voting, dividend, liquidation and other rights and the same terms and conditions except that expenses related to the distribution and/or account maintenance of the shares of a class may be borne solely by such class, and a class may have exclusive voting rights with respect to matters relating to the expenses being borne only by such class. The Fund has received an order from the Securities and Exchange Commission (the "Commission") permitting the issuance and sale of two classes of shares. The issuance and sale of any additional classes would require an additional order from the Commission. There is no assurance that such exemptive relief would be granted. Upon liquidation of the Fund, shareholders of each class are entitled to share pro rata in the net assets of the Fund available for distribution to shareholders, except for any expenses which may be attributable only to one class. Shares have no preemptive or conversion rights. The rights of redemption and exchange are described elsewhere herein and in the Prospectus. Shares are fully paid and nonassessable by the Fund.

Shareholders are entitled to one vote for each full share held and

fractional votes for fractional shares held in the election of Trustees (to the extent hereafter provided) and on other matters submitted to a vote of shareholders, except that shareholders of a class bearing distribution and/or account maintenance expenses as provided above shall have exclusive voting rights with respect to matters relating to such distribution and/or account maintenance expenditures. Voting rights are not cumulative, so that the holders of more than 50% of the shares voting in the election of Trustees can, if they choose to do so, elect all the Trustees of the Fund, in which event the holders of the remaining shares are unable to elect any person as a Trustee. No material amendment may be made to the Declaration of Trust without the affirmative vote of a majority of the outstanding shares of the Fund.

The Investment Adviser provided the initial capital for the Fund by purchasing 10,000 shares of the Fund for \$100,000. Such shares were acquired for investment and can only be disposed of by redemption. The organizational expenses of the Fund were paid by the Fund and are being amortized over a period not exceeding five years. The proceeds realized by the Investment Adviser upon the redemption of any of the shares initially purchased by it will be reduced by the proportional amount of the unamortized organizational expenses which the number of such initial shares being redeemed bears to the number of shares initially purchased.

COMPUTATION OF OFFERING PRICE PER SHARE

An illustration of the computation of the offering price for Class A and Class B shares of the Fund based on the value of the Fund's net assets on November 30, 1993, and its shares outstanding on that date is as follows:

<TABLE>  
<CAPTION>

	CLASS A	CLASS B
<S>	<C>	<C>
Net Assets.....	\$ 111,454,110	\$ 398,518,530
Number of Shares Outstanding.....	10,805,129	38,727,929
Net Asset Value Per Share (net assets divided by number of shares outstanding).....	\$ 10.31	\$ 10.29
Sales Charge (for Class A shares: 6.50% of offering price (6.95% of net amount invested*)).....	\$ 0.72	**
Offering Price.....	\$ 11.03	\$ 10.29

</TABLE>

\* Rounded to the nearest one-hundredth percent; assumes maximum sales charge is applicable.

\*\* Class B shares are not subject to an initial sales charge but may be subject to a contingent deferred sales charge on redemption of shares within four years of purchase. See "Purchase of Shares-- Deferred Sales Charge Alternative--Class B Shares" in the Prospectus and "Redemption of Shares--Contingent Deferred Sales Charge--Class B Shares" herein.

INDEPENDENT AUDITORS

Deloitte & Touche, 117 Campus Drive, Princeton, New Jersey 08540, has been selected as the independent auditors of the Fund. The selection of independent auditors is subject to ratification by the shareholders of the Fund. The independent auditors are responsible for auditing the annual financial statements of the Fund.

CUSTODIAN

Brown Brothers Harriman & Co., 40 Water Street, Boston, Massachusetts 02109 (the "Custodian"), acts as the custodian of the Fund's assets. Under its contract with the Fund, the Custodian is authorized to establish separate accounts in foreign currencies and to cause foreign securities owned by the Fund to be held in its offices outside the U.S. and with certain foreign banks and securities depositories. The Custodian is responsible for safeguarding and controlling the Fund's cash and securities, handling the receipt and delivery of securities and collecting interest and dividends on the Fund's investments.

TRANSFER AGENT

Financial Data Services, Inc., Transfer Agency Mutual Fund Operations, 4800 Deer Lake Drive East, Jacksonville, Florida 32246-6484, acts as the Fund's transfer agent (the "Transfer Agent"). The Transfer Agent is responsible for the issuance, transfer and redemption of shares and the opening, maintenance and servicing of shareholder accounts. See "Management of the Fund--Transfer Agency Services" in the Prospectus.

LEGAL COUNSEL

Brown & Wood, One World Trade Center, New York, New York 10048-0557, is counsel for the Fund.

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REPORTS TO SHAREHOLDERS

The fiscal year of the Fund ends on May 31 of each year. The Fund sends to its shareholders at least semi-annually reports showing the Fund's portfolio and other information. An annual report, containing financial statements audited by independent auditors, is sent to shareholders each year. After the end of each year shareholders will receive Federal income tax information regarding dividends and capital gains distributions.

ADDITIONAL INFORMATION

The Prospectus and this Statement of Additional Information do not contain all the information set forth in the Registration Statement and the exhibits relating thereto, which the Fund has filed with the Securities and Exchange Commission, Washington, D.C., under the Securities Act of 1933, as amended, and the Investment Company Act, to which reference is hereby made.

Under a separate agreement, Merrill Lynch has granted the Fund the right to use the "Merrill Lynch" name and has reserved the right to withdraw its consent to the use of such name by the Fund at any time or to grant the use of such name to any other company, and the Fund has granted Merrill Lynch, under certain conditions, the use of any other name it might assume in the future, with respect to any corporation organized by Merrill Lynch.

To the knowledge of the Fund, no person or entity owned beneficially 5% or more of the Fund's common stock on December 31, 1993.

The Fund was organized as an unincorporated business trust under the laws of Massachusetts on January 3, 1992. Its executive offices are located at 800 Scudders Mill Road, Plainsboro, New Jersey 08536.

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The Declaration of Trust establishing the Fund, dated January 3, 1992, a copy of which, together with all amendments thereto (the "Declaration"), is on file in the office of the Secretary of the Commonwealth of Massachusetts, provides that the name "Merrill Lynch International Equity Fund" refers to the Trustees under the Declaration collectively as Trustees, but not as individuals or personally; and no Trustee, shareholder, officer, employee or agent of the Trust shall be held to any personal liability, nor shall resort be had to their private property for the satisfaction of any obligation or claim of said Fund but the "Trust Property" only shall be liable.

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees and Shareholder,  
MERRILL LYNCH INTERNATIONAL EQUITY FUND:

We have audited the accompanying statement of assets and liabilities of Merrill Lynch International Equity Fund as of July 9, 1993. This financial statement is the responsibility of the Fund's management. Our responsibility is to express an opinion on this financial statement based on our audit.

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

In our opinion, such statement of assets and liabilities presents fairly, in all

material respects, the financial position of Merrill Lynch International Equity Fund as of July 9, 1993 in conformity with generally accepted accounting principles.

DELOITTE & TOUCHE  
Princeton, New Jersey  
July 12, 1993

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MERRILL LYNCH INTERNATIONAL EQUITY FUND  
STATEMENT OF ASSETS AND LIABILITIES  
JULY 9, 1993

<TABLE>		
<S>		<C>
Assets:		
Cash in Bank.....	\$	100,000
Prepaid registration fees (Note 3).....		75,625
Deferred organization expenses (Note 4).....		83,600
		-----
Total Assets.....		259,225
Liabilities--accrued expenses.....		159,225
		-----
Net Assets (equivalent to \$10.00 per share on 5,000 Class A shares of beneficial interest (par value \$0.10) and 5,000 Class B shares of beneficial interest (par value \$0.10) outstanding with an unlimited number of shares authorized) (Note 1).....	\$	100,000
		-----
		-----

</TABLE>

-----

- (1) Merrill Lynch International Equity Fund (the "Fund") was organized as a Massachusetts business trust on January 3, 1992. The Fund is registered under the Investment Company Act of 1940 as an open-end investment company.
- (2) The Fund intends to enter into an Investment Advisory Agreement (the "Investment Advisory Agreement") with Merrill Lynch Asset Management (the "Investment Adviser"), and distribution agreements (the "Distribution Agreements") with Merrill Lynch Funds Distributor, Inc. (the "Distributor"). (See "Management of the Fund--Advisory and Management Arrangements" in the Statement of Additional Information.) Certain officers and/or trustees of the Fund are officers and/or directors of the Investment Adviser and the Distributor.
- (3) Prepaid registration fees are charged to income as the related shares are issued.
- (4) Deferred organization expenses will be amortized over a period from the date the Fund commences operations not exceeding five years. In the event that the Investment Adviser (or any subsequent holder) redeems any of its original shares prior to the end of the five-year period, the proceeds of the redemption payable in respect of such shares shall be reduced by the pro rata share (based on the proportionate share of the original shares redeemed to the total number of original shares outstanding at the time of redemption) of the unamortized deferred organization expenses as of the date of such redemption. In the event that the Fund is liquidated prior to the end of the five-year period, the Investment Adviser (or any subsequent holder) shall bear the unamortized deferred organization expenses.

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MERRILL LYNCH INTERNATIONAL EQUITY FUND, NOVEMBER 30, 1993

SCHEDULE OF INVESTMENTS

LATIN AMERICA

<TABLE>

<CAPTION>

INDUSTRIES	SHARES HELD	STOCKS, BONDS, WARRANTS & RIGHTS	COST	VALUE (NOTE 1A)	PERCENT OF NET ASSETS
<S>	<C>	<C>	<C>	<C>	<C>
BANKING	109,425	Banco de Galicia y Buenos Aires S.A. (ADR) (a)	\$2,983,033	\$3,446,888	0.7%
ARGENTINA			2,983,033	3,446,888	0.7
		TOTAL INVESTMENTS IN ARGENTINEAN STOCKS			

TELECOMMUNICATIONS	75,100	++Telecomunicacoes Brasileiras S.A.--Telebras			
BRAZIL					
		PN (Preferred) (ADR) (a)	2,478,840	2,712,612	0.5
			476,480	443,478	0.1
	12,669,200	Telecomunicacoes Brasileiras S.A.--Telebras PN (Preferred)			
			-----	-----	-----
			2,955,320	3,156,090	0.6
-----					
		TOTAL INVESTMENTS IN BRAZILIAN STOCKS	2,955,320	3,156,090	0.6
-----					
BUILDING AND CONSTRUCTION	55,000	Maderas y Sinteticos S.A. MASISA			
CHILE					
</TABLE>					
<TABLE>					
<S>	<C>	<C>	<C>	<C>	<C>
		(Sponsored) (ADR) (a)	977,412	1,093,125	0.2
-----					
		TOTAL INVESTMENTS IN CHILEAN STOCKS	977,412	1,093,125	0.2
-----					
BANKING	350,000	Grupo Financiero Bancomer, S.A. de C.V. 'B'	499,822	462,829	0.1
MEXICO					
	14,700	++Grupo Financiero Bancomer, S.A. de C.V. (ADR) (a)	499,800	518,175	0.1
	104,700	++Servicios Financieros Quadrum, S.A. de C.V. (ADR) (a)	1,982,811	2,552,063	0.5
			-----	-----	-----
			2,982,433	3,533,067	0.7
-----					
BEVERAGES	386,000	++Fomento Economico Mexicano, S.A. de C.V. (Femsa) (Class B) (ADR) (a)	2,097,877	2,334,301	0.5
	298,000	Fomento Economico Mexicano, S.A. de C.V. (Femsa)	1,671,325	1,788,000	0.4
			-----	-----	-----
			3,769,202	4,122,301	0.9
-----					
BUILDING & CONSTRUCTION	196,000	Cementos Mexicanos, S.A. de C.V. Nom 'B' (Cemex)	4,025,545	5,107,821	1.0
	130,000	Grupo Tribasa, S.A. de C.V. (ADR) (a)	2,015,000	3,185,000	0.6
			-----	-----	-----
			6,040,545	8,292,821	1.6
-----					
DIVERSIFIED	563,000	+Grupo Carso, S.A. de C.V., Series A	4,112,559	4,975,391	1.0
-----					
LEISURE	23,000	++Grupo Posadas, S.A. de C.V. (GDS) (b)	374,750	368,000	0.1
-----					
RETAIL STORES	921,000	Cifra, S.A. de C.V. (Class C)	2,498,768	2,554,620	0.5
-----					
TELECOMMUNICATIONS	116,100	Telefonos de Mexico, S.A. de C.V. (Telmex) (ADR) (a)	6,437,231	6,472,575	1.3
			-----	-----	-----
		TOTAL INVESTMENTS IN MEXICAN STOCKS	26,215,488	30,318,775	6.1
-----					
BEVERAGES	3,200	PanAmerican Beverages Inc (Class A)	81,600	116,400	0.0
-----					
PANAMA					
		Total Investments in Panamanian Stocks	81,600	116,400	0.0
-----					
FOODS	300,000	Mavesa, S.A. (Ordinary)	137,354	133,617	0.0



(Ordinary)

UTILITIES--ELECTRIC	1,551,600	China Light & Power Co., Ltd. (Ordinary)	7,552,276	9,139,465	1.8
			37,380,276	43,483,171	8.5
TOTAL INVESTMENTS IN HONG KONG STOCKS					
AUTOMOBILES	643,000	Suzuki Motor Co. (Ordinary)	5,629,757	5,671,444	1.1
JAPAN					
BEVERAGES	92,000	Chukyo Coca-Cola Bottling, Co., Ltd. (Ordinary)	1,310,757	1,031,239	0.2
	106,000	Hokkaido Coca-Cola Bottling Co., Ltd. (Ordinary)	1,754,547	1,548,512	0.3
	102,000	Kinki Coca-Cola Bottling Co., Ltd. (Ordinary)	1,893,379	1,686,880	0.3
	109,000	Mikuni Coca-Cola Bottling Co., Ltd.	2,058,813	1,812,661	0.4
	111,000	Sanyo Coca-Cola Bottling Co., Ltd.	1,874,646	1,519,570	0.3
			8,892,142	7,598,862	1.5
CAPITAL GOODS	1,044,000	Mitsubishi Heavy Industries, Ltd.	6,829,751	5,745,645	1.1
CONSUMER--ELECTRONICS	514,000	Matsushita Electric Industrial Co., Ltd.	6,884,671	6,422,639	1.3
	23,900	Nintendo Co., Ltd.	2,225,083	1,394,386	0.3
			9,109,754	7,817,025	1.6

&lt;/TABLE&gt;

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## MERRILL LYNCH INTERNATIONAL EQUITY FUND, NOVEMBER 30, 1993

## SCHEDULE OF INVESTMENTS (CONTINUED)

## PACIFIC BASIN

&lt;TABLE&gt;

&lt;CAPTION&gt;

INDUSTRIES <S>	SHARES HELD <C>	STOCKS, BONDS, WARRANTS & RIGHTS <C>	COST <C>	VALUE (NOTE 1A) <C>	PERCENT OF NET ASSETS <C>
ELECTRIC CONSTRUCTION	145,000	Chudenko Corp. (Ordinary)	\$5,515,540	\$5,009,188	1.0%
JAPAN (concluded)			4,654,758	3,487,780	0.7
(concluded)	319,000	Sanki Engineering Co., Ltd.	4,212,638	3,639,287	0.7
	170,000	Taihei Dengyo Kaisha, Ltd.			
			14,382,936	12,136,255	2.4
ELECTRICAL EQUIPMENT	164,000	Murata Manufacturing Co., Ltd.	5,306,131	5,273,796	1.0
	478,000	Sumitomo Electric Industries Ltd.	5,975,862	5,006,615	1.0
	280,000	The Nippon Signal Co., Ltd.	4,194,965	3,344,359	0.7
			15,476,958	13,624,770	2.7
IRON & STEEL	150,000	Maruichi Steel Tube, Ltd. (Ordinary)	2,867,531	2,466,924	0.5
OFFICE EQUIPMENT	502,000	Canon, Inc. (Ordinary)	6,830,982	6,318,817	1.2
PACKAGING	270,000	Toyo Seikan Kaisha, Ltd. (Ordinary)	7,945,683	6,772,326	1.3
PHARMACEUTICAL	233,000	Sankyo Co., Ltd. (Ordinary)	6,209,166	5,116,409	1.0
	210,000	Taisho Pharmaceutical Co., Ltd.	4,328,178	3,897,464	0.8

(Ordinary)

			10,537,344	9,013,873	1.8
PHOTOGRAPHY	187,000	Fuji Photo Film Co., Ltd.	4,608,001	3,882,947	0.8
PROPERTY & CASUALTY INSURANCE	833,000	Dai-Tokyo Fire & Marine Insurance Co., Ltd.	6,527,106	5,663,543	1.1
			4,786,714	3,896,362	0.8
	684,000	Fuji Fire & Marine Insurance Co., Ltd.	5,976,357	4,762,220	0.9
	836,000	Koa Fire & Marine Insurance Co., Ltd.	5,976,357	4,762,220	0.9
	970,000	Nichido Fire & Marine Insurance Co., Ltd.	7,697,403	5,721,610	1.1
	377,000	Sumitomo Marine & Fire Insurance Co., Ltd.	3,374,142	2,944,230	0.6
	614,000	Tokio Marine & Fire Insurance Co., Ltd.	7,728,106	6,261,852	1.2
			36,089,828	29,249,817	5.7
RETAIL SALES	126,000	Ito-Yokado Co., Ltd. (Ordinary)	5,941,895	6,100,882	1.2
		TOTAL INVESTMENTS IN JAPANESE STOCKS	135,142,562	116,399,587	22.9
LEISURE	157,000	Genting BHD	1,450,561	1,657,608	0.3
MALAYSIA			1,427,440	1,669,730	0.3
	700,000	Magnum Corp. BHD	2,878,001	3,327,338	0.6
STEEL	1,032,000	Maruichi Malaysia Steel Tube BHD	2,616,958	2,219,528	0.4
TELECOMMUNICATIONS	243,000	Telekom Malaysia BHD	1,586,715	1,824,424	0.4
			462,197	595,237	0.1
	118,000	Uniphone Telecommunications BHD	2,048,912	2,419,661	0.5
			7,543,871	7,966,527	1.5
		TOTAL INVESTMENTS IN MALAYSIAN STOCKS			
TELECOMMUNICATIONS	60,000	Telecom (Class C) (ADR) (a)	2,698,682	2,565,000	0.5
NEW ZEALAND			2,698,682	2,565,000	0.5
		TOTAL INVESTMENTS IN NEW ZEALAND STOCKS			
BANKING	315,000	United Overseas Bank Ltd. (Foreign Registered)	2,262,524	2,540,005	0.5
SINGAPORE			2,262,524	2,540,005	0.5
		TOTAL INVESTMENTS IN SINGAPORAN STOCKS			
BANKING	369,100	Bangkok Bank Co., Ltd. (Foreign Registered)	2,591,948	2,959,764	0.6
THAILAND			2,591,948	2,959,764	0.6
		TOTAL INVESTMENTS IN THAI STOCKS			
			203,280,489	191,725,051	37.6
		TOTAL INVESTMENTS IN THE PACIFIC			



## MERRILL LYNCH INTERNATIONAL EQUITY FUND, NOVEMBER 30, 1993

SCHEDULE OF INVESTMENTS (CONTINUED)  
SOUTHEAST ASIA<TABLE>  
<CAPTION>

INDUSTRIES	SHARES HELD	STOCKS, BONDS, WARRANTS & RIGHTS	COST	VALUE (NOTE 1A)	PERCENT OF NET ASSETS
<S>	<C>	<C>	<C>	<C>	<C>
INSURANCE	48,200	Grasim (ADR) (a)	\$ 815,815	\$ 855,550	0.2%
-----					
INDIA			815,815	855,550	0.2
		TOTAL INVESTMENTS IN INDIAN STOCKS			
-----					
			815,815	855,550	0.2
		TOTAL INVESTMENTS IN SOUTHEAST ASIA			
-----					
WESTERN EUROPE					
UTILITIES	13,629	Energie-Versorgung Niederosterreich AG	1,340,508	1,633,041	0.3
AUSTRIA					
	24,555	Verbund Oesterreichische Elektrizitats AG	1,362,079	1,438,547	0.3
			2,702,587	3,071,588	0.6
		TOTAL INVESTMENTS IN AUSTRIAN STOCKS	2,702,587	3,071,588	0.6
-----					
BANKING	8,100	Generale de Banque S.A. (Ordinary)	1,978,003	2,008,264	0.4
-----					
BELGIUM CHEMICALS	3,200	Solvay Group (Ordinary)	1,240,133	1,260,606	0.2
FOODS	34,000	GIB Group (Bearer)	1,200,598	1,256,970	0.2
METAL & MINING	19,801	Union Miniere N.V.	1,306,574	1,232,790	0.2
	5,177	Union Miniere N.V. (Warrants) (c)	0	32,089	0.0
			1,306,574	1,264,879	0.2
		TOTAL INVESTMENTS IN BELGIAN STOCKS	5,725,308	5,790,719	1.0
-----					
BANKING	7,360	Den Danske Bank AF (Ordinary)	375,263	401,066	0.1
-----					
DENMARK			375,263	401,066	0.1
		TOTAL INVESTMENTS IN DANISH STOCKS			
-----					
PAPER & FOREST PRODUCTS	306,500	Enso-Gutzeit OY	1,987,636	1,954,471	0.4
FINLAND					
	43,900	+Metsa Serla OY	1,721,368	1,693,179	0.3
	107,900	Repola OY S	1,627,001	1,672,037	0.3
-----					

			5,336,005	5,319,687	1.0
			5,336,005	5,319,687	1.0
TOTAL INVESTMENTS IN FINNISH STOCKS					
AUTOMOBILES	19,750	Peugeot S.A.	2,314,748	2,339,976	0.5
FRANCE					
BANKING	35,300	Compagnie Financiere de Suez (Ordinary)	2,018,337	2,016,803	0.4
	23,720	Compagnie Financiere de Paribas	2,018,937	1,838,915	0.4
	19,000	Societe Generale de Surveillance S.A. (Class A) (Ordinary)	2,052,425	2,251,117	0.4
			6,089,699	6,106,835	1.2
CHEMICALS	37,800	Rhone-Poulenc S.A.	933,807	946,035	0.2
CONSUMER--MISCELLANEOUS	21,000	Christian Dior S.A.	1,296,657	1,164,406	0.2
MEDIA/PUBLISHING	29,000	Matra Hachette (Ordinary)	719,726	684,250	0.1
OIL--RELATED	28,000	Societe Nationale Elf Aquitaine (Ordinary)	2,046,602	1,928,171	0.4
PETROLEUM	40,500	Total S.A. (Class B)	2,047,886	2,059,299	0.4
RETAIL TRADE	17,150	Pinault Printemps S.A.	2,053,184	2,384,554	0.5
			17,502,309	17,613,526	3.5
TOTAL INVESTMENTS IN FRENCH STOCKS					

</TABLE>

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MERRILL LYNCH INTERNATIONAL EQUITY FUND, NOVEMBER 30, 1993

SCHEDULE OF INVESTMENTS (CONTINUED)

WESTERN  
EUROPE  
(continued)  
<TABLE>  
<CAPTION>

INDUSTRIES	SHARES HELD	STOCKS, BONDS, WARRANTS & RIGHTS	COST	VALUE (NOTE 1A)	PERCENT OF NET ASSETS
<S>	<C>	<C>	<C>	<C>	<C>
AUTOMOBILES	2,202	Bayerische Motorenwerke AG (BMW) (Bearer)	\$ 722,839	\$ 783,127	0.2%
GERMANY					
	5,529	Daimler-Benz AG	2,432,057	2,303,857	0.5
	16,242	Volkswagen AG (Pref. Warrants) (c)	1,411,388	1,396,744	0.3
	3,815	Volkswagen AG (Pref.)	711,409	733,996	0.1
			5,277,693	5,217,724	1.1
BANKING	11,867	Deutsche Bank AG (Ordinary)	5,773,552	5,860,162	1.1
BUILDING & CONSTRUCTION	954	Hochtief AG	614,240	570,108	0.1
CHEMICALS	15,212	BASF AG (Ordinary)	2,448,022	2,403,482	0.5
	20,996	Bayer AG (Ordinary)	3,801,567	4,039,576	0.8
			6,249,589	6,443,058	1.3
HEALTH & PERSONAL CARE	6,314	Schering AG	3,628,348	3,895,449	0.8
INSURANCE	3,650	Allianz AG Hlde (Warrants) (c)	140,309	220,251	0.0

MACHINERY	68,200	KloECKner Werke AG	3,365,767	4,111,404	0.8
	10,000	Man AG (Ordinary)	1,946,489	2,139,692	0.4
	12,976	Mannesmann AG (Ordinary)	2,320,918	2,805,213	0.5
			7,633,174	9,056,309	1.7
METAL & MINING	15,360	Thyssen AG (Ordinary)	1,933,747	2,126,866	0.4
UTILITIES	10,106	Veba Vereinigte Elektrizitaets & Bergwerks AG (Ordinary)	2,415,178	2,686,174	0.5
	15,000	Veba (Warrants) (c)	850,851	1,206,856	0.2
			3,266,029	3,893,030	0.7
		TOTAL INVESTMENTS IN GERMAN STOCKS & WARRANTS	34,516,681	37,282,957	7.2
BEVERAGES	29,810	Hellenic Bottling	792,760	824,351	0.2
GREECE		TOTAL INVESTMENTS IN GREEK STOCKS	792,760	824,351	0.2
BANKING	498,000	Bank of Ireland (Ordinary)	1,939,145	2,028,149	0.4
IRELAND BUILDING & CONSTRUCTION	610,000	CRH PLC (Ordinary)	2,870,247	2,982,854	0.6
		TOTAL INVESTMENTS IN IRISH STOCKS	4,809,392	5,011,003	1.0
DIVERSIFIED	2,969,500	Compagnie Industrial Riunite S.p.A. (CIR)	2,777,436	2,455,749	0.5
ITALY Paper & Forest Products	235,550	Cartiere Burgo S.p.A. (Ordinary)	1,148,584	1,241,189	0.2
TELECOMMUNICATIONS	2,032,280	STET, Di Risp (Non Conv.)	4,123,619	3,355,404	0.7
UTILITIES--GAS	147,200	Italgas (Sud) S.p.A.	412,771	389,546	0.1
		TOTAL INVESTMENTS IN ITALIAN STOCKS	8,462,410	7,441,888	1.5
BANKING	60,250	ABN Amro Bank (Ordinary)	2,030,533	2,187,604	0.4
NETHERLANDS BEVERAGES	8,504	Heineken Holdings (Class A)	705,797	782,984	0.2
	9,000	Heineken N.V.	949,291	935,393	0.2
			1,655,088	1,718,377	0.4
CHEMICALS	32,500	Akzo N.V. (Ordinary)	3,030,063	3,007,569	0.6
	32,600	Dutch State Mining N.V. (Ordinary)	1,695,186	1,702,580	0.3
			4,725,249	4,710,149	0.9

</TABLE>

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MERRILL LYNCH INTERNATIONAL EQUITY FUND, NOVEMBER 30, 1993

SCHEDULE OF INVESTMENTS (CONTINUED)

WESTERN EUROPE

(continued)

<TABLE>

<CAPTION>

PERCENT

INDUSTRIES	SHARES HELD	STOCKS, BONDS, WARRANTS & RIGHTS	COST	VALUE (NOTE 1A)	OF NET ASSETS
<S>	<C>	<C>	<C>	<C>	<C>
INSURANCE	79,282	AEGON N.V. (Ordinary)	\$3,874,041	\$4,185,977	0.8%
NETHERLANDS			3,571,667	3,962,980	0.8
(concluded)	89,840	Amev N.V. (Ordinary)			
	91,197	Internationale Nederlanden Groep N.V.	3,491,374	3,994,375	0.8
			10,937,082	12,143,332	2.4
PAPER & FOREST PRODUCTS	130,477	Koninklijke KNP	2,479,390	2,714,877	0.5
RETAIL TRADE	5,888	De Boer Winkelbedr N.V.	221,972	220,524	0.0
TRANSPORTATION	192,180	KLM Royal Dutch Airlines	3,769,039	4,218,683	0.8
			25,818,353	27,913,546	5.4
		TOTAL INVESTMENTS IN NETHERLANDS STOCKS			
BUILDING & CONSTRUCTION	37,800	Soares Da Costa S.A.	976,555	838,923	0.2
PORTUGAL			976,555	838,923	0.2
		TOTAL INVESTMENTS IN PORTUGUESE STOCKS			
BANKING	16,920	Banco Popular Espanol (Ordinary)	1,907,099	1,849,705	0.4
SPAIN					
OIL--RELATED	112,640	Repsol S.A. (Ordinary)	3,018,225	3,166,426	0.6
REAL ESTATE	21,160	Vallehermoso	304,926	346,984	0.1
	3,527	Vallehermoso Espanola S.A.	43,543	57,836	0.0
			348,469	404,820	0.1
TELECOMMUNICATIONS	328,940	Telofonica Nacional de Espania S.A. (Ordinary)	3,958,662	3,922,902	0.8
UTILITIES	343,000	Fuerzas Electricas de Cataluna, FECSA (Class A)	1,940,025	1,960,070	0.4
			11,172,480	11,303,923	2.3
		TOTAL INVESTMENTS IN SPANISH STOCKS			
BUILDING RELATED	115,600	+Svedala Industry	2,053,238	1,830,735	0.4
SWEDEN					
METAL & MINING	240,460	+Trelleborg AB (Class B)	1,658,348	1,847,222	0.4
PHARMACEUTICAL-- PRESCRIPTION	151,750	Astra "A" Fria	3,179,941	2,995,078	0.6
			6,891,527	6,673,035	1.4
		TOTAL INVESTMENTS IN SWEDISH STOCKS			
BANKING	7,633	Swiss Bank Corp. (Bearer)	2,488,783	2,442,560	0.5
SWITZERLAND					
BUILDING MATERIALS	3,341	Holderbank Financiere Glarus AG (Bearer)	1,836,580	1,870,960	0.4
CHEMICALS	3,862	Ciba-Geigy AG (Registered)	1,855,786	2,013,389	0.4
ELECTRICAL	9,076	BBC Brown Boveri & Cie			

EQUIPMENT			5,672,958	6,093,021	1.2
	1,638	Landis & Gyr AG (Registered)	634,312	720,720	0.1
			-----	-----	-----
			6,307,270	6,813,741	1.3
FOOD & BEVERAGE	4,928	Nestle AG (Registered)	3,555,996	3,807,701	0.7
HEALTH & PERSONAL CARE	1,535	Roche Holding Genusschein AG	5,598,050	6,155,350	1.2
	2,392	Sandoz AG (Registered)	5,509,003	5,772,693	1.1
			-----	-----	-----
			11,107,053	11,928,043	2.3
INSURANCE	495	Baloise Holding Insurance	645,450	838,200	0.2
	7,861	Winterthur (Registered)	3,480,329	4,066,757	0.8
			-----	-----	-----
			4,125,779	4,904,957	1.0
MACHINERY	1,568	Sulzer Gebrueder AG (Registered)	803,207	794,453	0.2
METAL & MINING	4,762	Alusuisse-Lonza Holdings (Registered)	1,714,589	1,707,971	0.3
			-----	-----	-----
			33,795,043	36,283,775	7.1
		TOTAL INVESTMENTS IN SWISS STOCKS			

</TABLE>

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MERRILL LYNCH INTERNATIONAL EQUITY FUND, NOVEMBER 30, 1993

SCHEDULE OF INVESTMENTS (CONTINUED)

WESTERN EUROPE

(concluded)

<TABLE>

<CAPTION>

INDUSTRIES	SHARES HELD	STOCKS, BONDS, WARRANTS & RIGHTS	COST	VALUE (NOTE 1A)	PERCENT OF NET ASSETS
<S>	<C>	<C>	<C>	<C>	<C>
BANKING--INTERNATIONAL	3,300,000	Yapi Kredi Bankasi A.S. (Ordinary)	\$1,012,571	\$1,360,341	0.3%
TURKEY			1,012,571	1,360,341	0.3
		TOTAL INVESTMENTS IN TURKISH STOCKS			
AEROSPACE	1,233,000	Rolls Royce PLC (Ordinary)	2,762,128	3,159,106	0.6
UNITED KINGDOM					
AIRLINES	572,400	British Airways PLC (Ordinary)	3,011,250	3,560,442	0.7
BANKING	403,000	Barclays Bank, Ltd. (Ordinary)	3,111,286	3,485,563	0.7
	464,700	National Westminster Bank PLC (Ordinary)	3,521,709	3,833,389	0.8
			-----	-----	-----
			6,632,995	7,318,952	1.5
BEVERAGES	793,000	Grand Metropolitan PLC (Ordinary)	4,963,397	4,803,431	0.9
BUILDING MATERIALS	999,250	Tarmac PLC (Ordinary)	2,248,643	2,101,443	0.4
CONSUMER--GOODS	127,500	Vendome Luxury Group (Units)	700,055	598,583	0.1
DIVERSIFIED	660,000	BTR PLC (Warrants) (c)	1,298,259	1,231,600	0.2
ELECTRICAL EQUIPMENT	628,000	General Electric Co., Ltd. PLC (Ordinary)	3,321,592	3,101,777	0.6
ELECTRONICS	368,000	Chubb Security Group (Ordinary)	2,021,481	1,986,554	0.4
FOODS	243,000	Argyll Group PLC (Ordinary)	983,292	1,000,475	0.2
	666,000	Tesco PLC (Ordinary)	1,954,253	1,952,965	0.4
			-----	-----	-----

			2,937,545	2,953,440	0.6
FOOD & BEVERAGE	290,000	Tate & Lyle PLC (Ordinary)	1,703,824	1,743,729	0.3
INSURANCE	456,300	Commercial Union Assurance Co. PLC (Ordinary)	4,365,810	4,098,608	0.8
LEISURE & ENTERTAINMENT	243,500	The Rank Organisation PLC (Ordinary)	2,814,188	3,164,471	0.6
	220,600	Thorn EMI (Ordinary)	3,274,626	3,082,496	0.6
			6,088,814	6,246,967	1.2
MEDIA/PUBLISHING	481,500	Pearson PLC (Ordinary)	3,865,846	4,303,568	0.8
	1,170,000	WPP Group PLC	1,724,335	1,533,501	0.3
			5,590,181	5,837,069	1.1
OIL--RELATED	552,000	British Petroleum Co., Ltd.	2,603,346	2,726,403	0.5
RETAIL TRADE	318,000	Boots Co. PLC (Ordinary)	2,310,051	2,536,109	0.5
	350,000	Dixons Group PLC (Ordinary)	1,294,125	1,394,362	0.3
	2,031,600	Sears PLC	3,599,242	3,565,428	0.7
			7,203,418	7,495,899	1.5
TELECOMMUNICATIONS	291,500	British Telecommunications PLC (Ordinary)	1,998,497	2,033,361	0.4
UTILITIES--GAS	730,000	British Gas PLC (Ordinary)	3,521,282	3,529,889	0.7
			62,972,517	64,527,253	12.5
		TOTAL INVESTMENTS IN UNITED KINGDOM STOCKS & WARRANTS			
			222,861,761	231,657,581	45.3
		TOTAL INVESTMENTS IN WESTERN EUROPE			

</TABLE>

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Merrill Lynch International Equity Fund, November 30, 1993

SCHEDULE OF INVESTMENTS (CONCLUDED)

<TABLE>

<CAPTION>

<S>	FACE AMOUNT <C>	SHORT-TERM SECURITIES <C>	COST <C>	VALUE (NOTE 1A) <C>	PERCENT OF NET ASSETS <C>
COMMERCIAL PAPER*	\$10,321,000	General Electric Capital Corp., 3.20% due 12/01/1993	\$10,321,000	\$10,321,000	2.0%
		Total Investments in Commercial Paper	10,321,000	10,321,000	2.0
US GOVERNMENT & AGENCY OBLIGATIONS	15,000,000	Federal Home Loan Bank, 3.01% due 12/13/1993	14,984,950	14,984,950	2.9
	10,000,000	Federal Home Loan Mortgage Corp., 3.04% due 12/06/1993	9,995,778	9,995,778	2.0
	10,000,000	Federal National Mortgage Association: 3.02% due 12/21/1993	9,983,222	9,982,330	2.0
	4,000,000	3.16% due 1/04/1994	3,988,062	3,988,062	0.8
		TOTAL INVESTMENTS IN US GOVERNMENT & AGENCY OBLIGATIONS	38,952,012	38,951,120	7.7
		TOTAL INVESTMENTS IN SHORT-TERM SECURITIES	49,273,012	49,272,120	9.7
<S>			<C>	<C>	<C>
Total Investments			\$509,581,284	511,775,197	100.4

Put Options Purchased (Cost--\$549,000)**	184,030	0.1
Call Options Written (Premiums Received--\$425,750)***	(605,410)	(0.1)
Unrealized Appreciation on Forward Foreign Exchange Contracts++	1,395,792	0.3
Variation Margin on Stock Index Futures Contracts++++	105,892	0.0
Liabilities in Excess of Other Assets	(2,882,861)	(0.6)
Net Assets	\$509,972,640	100.0%

<FN>

- (a) American Depositary Receipt (ADR).  
(b) Global Depositary Shares (GDS).  
(c) Warrants entitle the Fund to purchase a predetermined number of shares of common stock. The purchase price and number of shares are subject to adjustment under certain conditions until the expiration date.
- ++ Restricted securities as to resale. The value of the Fund's investment in restricted securities was approximately \$8,485,000, representing 1.66% of net assets.

ISSUE	ACQUISITION DATE	COST	VALUE (NOTE 1A)
Fomento Economico Mexicano S.A. de C.V. (Femsa) (Class B) (ADR)	8/13/93	\$2,097,877	\$2,334,301
Grupo Financiero Bancomer, S.A. de C.V. (ADR)	8/13/93	499,800	518,175
Grupo Posadas S.A. de C.V. (GDS)	10/26/93	374,750	368,000
Servicios Financieros Quadrum, S.A. (ADR)	9/15/93	1,982,811	2,552,063
Telecomunicacoes Brasileiras, S.A. -- Telebras PN (Preferred) (ADR)	8/25/93	2,478,840	2,712,612
Total		\$7,434,078	\$8,485,151

++++ Stock Index futures contracts as of November 30, 1993 were as follows:

NUMBER OF CONTRACTS	ISSUE	EXPIRATION DATE	VALUE (NOTE 1E)
150	Nikkei 225	3/11/94	\$11,414,691
Total Stock Index Futures Contracts (Total Contract Price--\$11,308,799)			\$11,414,691

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

\*\* Put options purchased as of November 30, 1993 are as follows:

PAR VALUE SUBJECT TO PUT	ISSUE	COST	VALUE (NOTES 1A & 1D)
\$7,000,000	Ffr currency put option, strike price 5.84, expiring 1/12/94	\$ 24,150	\$ 19,180
13,000,000	DM currency put option, strike price 1.675, expiring 1/12/94	100,750	70,590
50,000,000	Y currency put option, strike price 103.60, expiring 1/12/94	392,500	82,500
8,000,000	Nlg currency put option strike		

price 1.885,  
 expiring 1/12/94 31,600 11,760

TOTAL PUT OPTIONS PURCHASED \$ 549,000 \$ 184,030

\*\*\* Call options written as of November 30, 1993 are as follows:

PAR VALUE SUBJECT TO CALL	ISSUE	COST	VALUE (NOTES 1A & 1D)
\$13,000,000 DM Currency call option, strike price 1.774, expiring 1/12/94		\$ 100,750	\$ (52,910)
50,000,000 Y currency call option, strike price 109.50, expiring 1/12/94		325,000	(552,500)
TOTAL CALL OPTIONS WRITTEN		\$ 425,750	\$(605,410)

+ Non-income producing securities.

++ Forward foreign exchange contracts as of November 30, 1993 are as follows:

FOREIGN CURRENCY SOLD	EXPIRATION DATE	UNREALIZED APPRECIATION (NOTE 1C)
A\$ 10,450,701	January 1994	\$ 6,326
Bef 48,239,100	January 1994	7,744
Chf 14,279,772	January 1994	53,676
DM 16,887,000	December 1993	166,146
DM 32,996,928	January 1994	138,446
Dkr 1,493,052	January 1994	1,321
Pta 745,950,500	January 1994	90,876
Fim 16,606,018	January 1994	22,615
Frfr 77,584,430	January 1994	65,037
Nlg 11,377,200	December 1993	87,816
Nlg 15,696,954	January 1994	48,304
Y 11,143,590,000	January 1994	696,338
Skr 8,491,676	January 1994	11,147
TOTAL (US COMMITMENT--\$181,020,000)		\$1,395,792

TOTAL UNREALIZED APPRECIATION ON FORWARD  
 FOREIGN EXCHANGE CONTRACTS \$1,395,792

</TABLE>

See Notes to Financial Statements.

MERRILL LYNCH INTERNATIONAL EQUITY FUND, NOVEMBER 30, 1993  
 STATEMENT OF ASSETS AND LIABILITIES

<TABLE>  
 <CAPTION>

AS OF NOVEMBER 30, 1993

ASSETS:	<S>	<C>	<C>	<C>
Investments, at value (identified cost--\$509,581,284) (Note 1a).....				\$511,775,197
Variation margin on stock index futures contracts (Note 1e & 5).....				105,892
Put options purchased, at value (cost--\$549,000) (Notes 1a & 1d).....				184,030
Unrealized appreciation on forward foreign exchange contracts (Note 1e).....				1,395,792
Foreign cash (Note 1c).....				7,703,024
Cash.....				113,690
Receivables:				
Capital shares sold.....		\$8,484,189		
Securities sold.....		8,089,144		
Dividends.....		575,193	17,148,526	
Deferred organization expenses (Note 1h).....				68,350



Prepaid registration fees and other assets (Note 1h).....	64,600
Total assets.....	538,559,101

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

LIABILITIES:

Call options written, at value (premiums received--\$425,750) (Notes 1a & 1d).....	605,410
Payables:	
Securities purchased.....	25,960,304
Capital shares redeemed.....	595,532
Distributor (Note 2).....	356,335
Investment adviser (Note 2).....	321,370
Accrued expenses and other liabilities.....	747,510
Total liabilities.....	28,586,461

NET ASSETS:

Net assets.....	\$509,972,640
-----------------	---------------

NET ASSETS

Class A Shares of beneficial interest, \$0.10 par value, unlimited number of shares authorized.....	\$1,080,513
CONSIST OF:	
Class B Shares of beneficial interest, \$0.10 par value, unlimited number of shares authorized.....	3,872,793
Paid-in capital in excess of par.....	499,807,624
Accumulated investment loss--net.....	(441,018)
Undistributed realized capital gains on investments and foreign currency transactions--net.....	2,518,301
Unrealized appreciation on investments and foreign currency transactions--net.....	3,134,427
Net assets.....	\$509,972,640

NET ASSET VALUE:

Class A--Based on net assets of \$111,454,110 and 10,805,129 shares of beneficial interest outstanding.....	\$ 10.31
Class B--Based on net assets of \$398,518,530 and 38,727,929 shares of beneficial interest outstanding.....	\$ 10.29

See Notes to Financial Statements.

MERRILL LYNCH INTERNATIONAL EQUITY FUND, NOVEMBER 30, 1993

STATEMENT OF OPERATIONS

<TABLE>  
<CAPTION>

FOR THE PERIOD  
JULY 30, 1993+ TO  
NOVEMBER 30, 1993

INVESTMENT

<S> <C> <C> <C>	
Dividends (net of \$140,660 foreign withholding tax).....	\$1,244,092
INCOME	
Interest and discount earned.....	772,879
(NOTES 1F & 1G):	
Total income.....	2,016,971

- - - - -

EXPENSES:		
Distribution fees--Class B (Note 2).....		926,816
Investment advisory fees (Note 2).....		910,109
Custodian fees.....		305,805
Transfer agent fees--Class B (Note 2).....		102,182
Maintenance fees--Class A (Note 2).....		71,666
Registration fees (Note 1h).....		53,529
Printing and shareholder reports.....		27,030
Transfer agent fees--Class A (Note 2).....		25,342
Accounting services (Note 2).....		16,960
Trustees' fees and expenses.....		7,950
Professional fees.....		5,830
Amortization of organization expenses (Note 1h).....		3,180
Other.....		1,590
		-----
Total expenses.....		2,457,989
		-----
Investment loss--net.....		(441,018)
		-----

- - - - -

REALIZED AND		
UNREALIZED GAIN ON		
Investments--net.....	\$ 132,201	
INVESTMENTS &		
Foreign currency transactions.....	2,386,100	2,518,301
		-----
FOREIGN CURRENCY		
TRANSACTIONS--NET		
Unrealized appreciation on:		
(NOTES 1C, 1G & 3):		
Investments--net.....	2,299,805	
Foreign currency transactions.....	834,622	3,134,427
		-----
Net realized and unrealized gain on investments and foreign currency transactions.....		5,652,728
		-----
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS.....		\$5,211,710
		-----

- - - - -

+ Commencement of Operations.

See Notes to Financial Statements.

</TABLE>

MERRILL LYNCH INTERNATIONAL EQUITY FUND, NOVEMBER 30, 1993  
STATEMENT OF CHANGES IN NET ASSETS

<TABLE>  
<CAPTION>

		FOR THE
		PERIOD
		JULY 30,
		1993+ TO
		NOV. 30,
		1993
		<C>
INCREASE (DECREASE) IN NET ASSETS:		
<S>		
-----		
OPERATIONS:		
Investment loss--net.....	\$ (441,018)	
Realized gain on investments and foreign currency transactions--net.....	2,518,301	
Unrealized appreciation on investments and foreign currency transactions--net.....	3,134,427	
		-----
Net increase in net assets resulting from operations.....	5,211,710	
		-----
-----		
BENEFICIAL INTEREST		
Net increase in net assets derived from beneficial interest transactions.....	504,660,930	
		-----

TRANSACTIONS

(NOTE 4):

-----

NET ASSETS:

Total increase in net assets.....	509,872,640
Beginning of period.....	100,000
End of period*.....	\$509,972,640

-----

\* Accumulated investment loss--net..... \$ (441,018)

-----

+ Commencement of Operations.

See Notes to Financial Statements.

</TABLE>

MERRILL LYNCH INTERNATIONAL EQUITY FUND, NOVEMBER 30, 1993

FINANCIAL HIGHLIGHTS

<TABLE>

<CAPTION>

	CLASS A	CLASS B
	FOR THE PERIOD JULY 30, 1993+ TO NOV. 30, 1993	FOR THE PERIOD JULY 30, 1993+ TO NOV. 30, 1993(1)

THE FOLLOWING PER SHARE DATA AND RATIOS HAVE BEEN DERIVED FROM INFORMATION PROVIDED IN THE FINANCIAL STATEMENTS. INCREASE (DECREASE) IN NET ASSET VALUE:

<S>

PER SHARE OPERATING PERFORMANCE:

	<C>	<C>
Net asset value, beginning of period.....	\$ 10.00	\$ 10.00
Investment income (loss)--net.....	.01	(.01)
Realized and unrealized gain on investments and foreign currency transactions--net.....	.30	.30
Total from investment operations.....	.31	.29
Net asset value, end of period.....	\$ 10.31	\$ 10.29

TOTAL INVESTMENT RETURN:\*\*

Based on net asset value per share.....	3.10%++	2.90%++
---	---------	---------

RATIOS TO AVERAGE NET ASSETS:

Expenses, excluding account maintenance and distribution fees....	1.19%*	1.21%*
Expenses.....	1.44%*	2.21%*
Investment income (loss)--net.....	.26%*	(.56)%*

SUPPLEMENTAL DATA:

Net assets, end of period (in thousands).....	\$ 111,454	\$ 398,519
Portfolio turnover.....	17.31%	17.31%

(1) Based on average shares outstanding during the period.  
\* Annualized.

+ Commencement of Operations.  
exclude the effects  
++ Aggregate total investment return.

\*\* Total investment returns  
of sales loads.

See Notes to Financial Statements.

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MERRILL LYNCH INTERNATIONAL EQUITY FUND, NOVEMBER 30, 1993

#### NOTES TO FINANCIAL STATEMENTS

##### 1. SIGNIFICANT ACCOUNTING POLICIES:

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

(a) Valuation of investments -- Portfolio securities which are traded on stock exchanges are valued at the last sale price on the principal market on which such securities are traded, as of the close of business on the day the securities are being valued or, lacking any sales, at the last available bid price. Securities traded in the over-the-counter market are valued at the last available bid price in the over-the-counter market prior to the time of valuation. In cases where securities are traded on more than one exchange, the securities are valued on the exchange designated by or under the authority of the Board of Trustees as the primary market. Short-term securities are valued at amortized cost, which approximates market value.

Options written by the Fund are valued at the last asked price in the case of exchange-traded options or, in the case of options traded in the over-the-counter market, the average of the last asked price as obtained from one or more dealers. Options purchased by the Fund are valued at their last bid price in the case of exchange-traded options or, in the case of options traded in the over-the-counter market, the average of the last bid price as obtained from two or more dealers, unless there is only one dealer, in which case that dealer's price is used.

Securities and assets for which market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of the Board of Trustees of the Fund.

(b) Repurchase agreements -- The Fund invests in US Government securities pursuant to repurchase agreements with a member bank of the Federal Reserve System or a primary dealer in US Government securities. Under such agreements, the bank or primary dealer agrees to repurchase the security at a mutually agreed upon time and price. The Fund takes possession of the underlying securities, marks to market such securities and, if necessary, receives additions to such securities daily to ensure that the contract is fully collateralized.

(c) Foreign currency transactions -- Transactions denominated in foreign currencies are recorded at the exchange rate prevailing when recognized. Assets and liabilities denominated in foreign currencies are valued at the exchange rate at the end of the period. Foreign currency transactions are the result of settling (realized) or valuing (unrealized) such transactions expressed in foreign currencies into US dollars. Realized and unrealized gains or losses from investments include the effects of foreign exchange rates on investments.

The Fund is authorized to enter into forward foreign exchange contracts as a hedge against either specific transactions or portfolio positions. Such contracts are not entered on the Fund's records. However, the effect on operations is recorded from the date the Fund enters into such contracts. Premium or discount is amortized over the life of the contracts.

(d) Options -- The Fund can write covered call options and purchase put options.

When the Fund writes an option, an amount equal to the premium received by the Fund is reflected as an asset and an equivalent liability. The amount of the liability is subsequently marked to market to reflect the current value of the option written.

When a security is sold through an exercise of an option, the related premium received (or paid) is deducted from (or added to) the basis of the security sold. When an option expires (or the Fund enters into a closing transaction), the Fund realizes a gain or loss on the option to the extent of the premiums received or paid (or gain or loss to the extent the cost of the closing transaction exceeds the premium paid or received).

Written and purchased options are non-income producing investments.

(e) Futures contracts -- The Fund may purchase or sell futures contracts and options on such futures contracts. Upon entering into a contract, the Fund deposits and maintains as collateral such initial margin as required by the exchange on which the transaction is effected. Pursuant to the contract, the Fund agrees to receive from or pay to the broker an amount of cash equal to the daily fluctuation in value of the contract. Such receipts or payments are known as variation margin and are recorded by the Fund as unrealized gains or losses. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

(f) Income taxes -- It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its taxable income to its shareholders. Therefore, no Federal income tax provision is required. Under the applicable foreign tax law,

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MERRILL LYNCH INTERNATIONAL EQUITY FUND, NOVEMBER 30, 1993

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

a withholding tax may be imposed on interest, dividends, and capital gains at various rates.

(g) Security transactions and investment income -- Security transactions are recorded on the dates the transactions are entered into (the trade dates). Dividend income is recorded on the ex-dividend dates except that if the ex-dividend date has passed, certain dividends from foreign securities are recorded as soon as the Fund is informed of the ex-dividend date. Interest income (including amortization of discount) is recognized on the accrual basis. Realized gains and losses on security transactions are determined on the identified cost basis.

(h) Deferred organization expenses and prepaid registration fees -- Deferred organization expenses are charged to expense on a straight-line basis over a five-year period. Prepaid registration fees are charged to expense as the related shares are issued.

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

2. INVESTMENT ADVISORY AGREEMENT AND TRANSACTIONS WITH AFFILIATES:

The Fund has entered into an Investment Advisory Agreement with Merrill Lynch Asset Management ("MLAM"). MLAM is the name under which Merrill Lynch Investment Management, Inc. ("MLIM") does business. MLIM is an indirect wholly-owned subsidiary of Merrill Lynch & Co., Inc. The Fund has also entered into Distribution Agreements and a Distribution Plan with Merrill Lynch Funds Distributor, Inc. ("MLFD" or "Distributor"), a wholly-owned subsidiary of MLIM.

MLAM is responsible for the management of the Fund's portfolio and provides the necessary personnel, facilities, equipment and certain other services necessary to the operations of the Fund. For such services, the Fund pays a monthly fee of 0.75%, on an annual basis, of the average daily value of the Fund's net assets. MLAM has entered into a Sub-Advisory Agreement with Merrill Lynch Asset Management U.K. Ltd. ("MLAM U.K."), an affiliate of MLAM, pursuant to which MLAM pays MLAM U.K. a fee in an amount to be determined from time to time by the Investment Adviser and MLAM U.K. but in no event in excess of the amount that MLAM actually receives. For the period July 30, 1993 to November 30, 1993, MLAM paid MLAM U.K. a fee of \$86,994 pursuant to such Agreement. Certain of the states in which the shares of the Fund are qualified for sale impose limitations on the expenses of the Fund. The most restrictive annual expense limitation requires that the Investment Adviser reimburse the Fund to the extent the Fund's expenses (excluding interest, taxes, distribution fees, brokerage fees and commissions, and extraordinary items) exceed 2.5% of the Fund's first \$30 million of average daily net assets, 2.0% of the next \$70 million of average daily net assets, and 1.5% of the average daily net assets in excess thereof. MLAM's obligation to reimburse the Fund is limited to the amount of the management fee. No fee payment will be made to MLAM during any fiscal year which will cause such expenses to exceed the most restrictive expense limitation at the time of such payment.

The Fund has adopted separate Plans of Distribution (the "Distribution Plans") for Class A and Class B Shares pursuant to Rule 12b-1 under the Investment Company Act of 1940 pursuant to which MLFD receives from the Fund at the end of each month (a) an account maintenance fee, at an annual rate of 0.25% of the average daily net assets of the Fund's Class A Shares in order to compensate the Distributor and Merrill Lynch (pursuant to a sub-agreement) in connection with account maintenance activities, and (b) an account maintenance fee and a distribution fee at the annual rates of 0.25% and 0.75%, respectively, of the average daily net assets of the Fund's Class B Shares in order to compensate the Distributor and Merrill Lynch (pursuant to a sub-agreement) for the services it provides and the expenses borne by the Distributor under the Distribution Agreement. As authorized by the Distribution Plans, the Distributor has entered into an agreement with Merrill Lynch, Pierce, Fenner & Smith Inc. ("MLPF&S"), an affiliate of MLAM, which provides for the compensation of MLPF&S in connection with account maintenance activities for Class A Shares and for providing distribution-related services to the Fund for Class B Shares. For the period ended November 30, 1993, MLFD earned \$71,666 and \$926,816 for Class A and Class B Shares, respectively, under the Distribution Plans, all of which was paid to MLPF&S pursuant to the agreement.

For the period ended November 30, 1993, MLFD earned underwriting discounts of \$119,814, and MLPF&S earned dealer concessions of \$2,693,159, on sales of the Fund's Class A Shares.

MLPF&S also received contingent deferred sales charges of \$42,743 relating to transactions in Class B Shares and \$75,217 in commissions on the execution of portfolio security transactions for the Fund during the period.

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

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

### 3. INVESTMENTS:

Purchases and sales of investments, excluding short-term securities, for the period from July 30, 1993 (commencement of operations) to November 30, 1993 were \$499,746,952 and \$39,569,757, respectively.

## MERRILL LYNCH INTERNATIONAL EQUITY FUND, NOVEMBER 30, 1993 NOTES TO FINANCIAL STATEMENTS (CONCLUDED)

Net realized and unrealized gains (losses) as of November 30, 1993 were as follows:

	REALIZED GAINS (LOSSES)	UNREALIZED GAINS (LOSSES)
<S>	<C>	<C>
Long-term investments.....	\$ 131,077	\$2,194,805
Short-term investments.....	1,124	(892)
Foreign currency transactions.....	(553,658)	(16,540)
Options written.....	--	(179,660)
Options purchased.....	(40,950)	(364,970)
Forward foreign exchange contracts...	2,980,708	1,395,792
Stock index futures contracts.....	--	105,892
Total.....	\$2,518,301	\$3,134,427

Transactions in put options purchased for the period ended November 30, 1993 were as follows:

<TABLE>  
<CAPTION>

	PAR VALUE	PREMIUMS PAID
<S>	<C>	<C>
Outstanding put options purchased at beginning of period.....	\$ --	\$ --
Options purchased....	91,000,000	589,950
Options expired.....	(13,000,000)	(40,950)
Outstanding put options purchased at end of period.....	\$78,000,000	\$ 549,000

</TABLE>

Transactions in call options written for the period ended November 30, 1993 were as follows:

<TABLE>  
<CAPTION>

	PAR VALUE COVERED BY WRITTEN OPTIONS	PREMIUMS RECEIVED
<S>	<C>	<C>
Outstanding call options written at beginning of period.....	--	--
Options written.....	\$63,000,000	\$ 425,750
Outstanding call options written at end of period.....	\$63,000,000	\$ 425,750

</TABLE>

As of November 30, 1993, net unrealized appreciation for Federal income tax purposes aggregated \$2,193,913, of which \$26,215,519 related to appreciated securities and \$24,021,606 related to depreciated securities. At November 30, 1993, the aggregate cost of investments for Federal income tax purposes was \$509,581,284.

#### 4. BENEFICIAL INTEREST TRANSACTIONS:

Net increase in net assets derived from beneficial interest transactions was \$504,660,930 for the period ended November 30, 1993.

Transactions in shares of beneficial interest for Class A and Class B were as follows:

<TABLE>  
<CAPTION>

CLASS A SHARES FOR THE PERIOD JULY 30, 1993+ TO NOVEMBER 30, 1993		
	SHARES	DOLLAR AMOUNT
<S>	<C>	<C>
Shares sold.....	12,235,764	\$124,392,649
Total issued.....	12,235,764	124,392,649
Shares redeemed.....	(1,435,635)	(14,651,914)
Net increase.....	10,800,129	\$109,740,735

</TABLE>

Prior to July 30, 1993 (commencement of operations), the Fund issued 5,000 shares to MLAM for \$50,000.

<TABLE>  
<CAPTION>

-----  
CLASS B SHARES FOR  
THE PERIOD  
JULY 30, 1993+ TO  
NOVEMBER 30, 1993

	SHARES	DOLLAR AMOUNT
<S>	<C>	<C>
Shares sold.....	39,776,122	\$405,677,927
Total issued.....	39,776,122	405,677,927
Shares redeemed.....	(1,053,193)	(10,757,732)
Net increase.....	38,722,929	\$394,920,195

-----  
</TABLE>

Prior to July 30, 1993 (commencement of operations), the Fund issued 5,000 shares to MLAM for \$50,000.

5. COMMITMENTS:

At November 30, 1993, the Fund had entered into forward foreign exchange contracts under which it had agreed to purchase and sell various foreign currency with an approximate value of \$1,055,000 and \$89,000, respectively.

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Code #16748

Statement of  
Additional Information

[Art]

-----  
MERRILL LYNCH  
INTERNATIONAL  
EQUITY FUND



January 14, 1994

Distributor:  
Merrill Lynch  
Funds Distributor, Inc.

PART C. OTHER INFORMATION

ITEM 24. FINANCIAL STATEMENTS AND EXHIBITS.

(A) FINANCIAL STATEMENTS

Contained in Part A:

Financial Highlights for the period July 30, 1993 (commencement of operations) through November 30, 1993 (unaudited).

Contained in Part B:

Financial Statement (audited):

Statement of Assets and Liabilities as of July 9, 1993.

Financial Statements (unaudited):

Schedule of Investments as of November 30, 1993.

Statement of Assets and Liabilities as of November 30, 1993.

Statement of Operations for the period July 30, 1993 (commencement of operations) to November 30, 1993.

Statement of Changes in Net Assets for the period July 30, 1993 (commencement of operations) to November 30, 1993.

Financial Highlights for the period July 30, 1993 (commencement of operations) to November 30, 1993.

(B) EXHIBITS:

<TABLE>	
EXHIBIT	
NUMBER	DESCRIPTION
<S>	<C>
1 (a)	--Amended and Restated Declaration of Trust. (a)
(b)	--Certificate of Establishment and Designation of Class A Shares and Class B Shares. (b)
2	--Amended and Restated By-Laws of Registrant. (a)
3	--None.
4	--Copies of instruments defining the rights of shareholders, including the relevant portions of the Amended and Restated Declaration of Trust, Certificate of Establishment and Designation and Amended and Restated By-Laws of Registrant. (b)
5 (a)	--Investment Advisory Agreement between Registrant and Merrill Lynch Investment Management, Inc.
(b)	--Sub-Advisory Agreement between Merrill Lynch Investment Management, Inc. and Merrill Lynch Asset Management U.K. Limited.
6 (a)	--Class A Distribution Agreement between Registrant and Merrill Lynch Funds Distributor, Inc.
(b)	--Class B Distribution Agreement between Registrant and Merrill Lynch Funds Distributor, Inc.
(c)	--Letter Agreement between the Registrant and Merrill Lynch Funds Distributor, Inc. with respect to the

- Merrill Lynch Mutual Fund Adviser Program.
- 7 --None.
- 8 --Custodian Agreement between Registrant and Brown Brothers Harriman & Co.
- 9(a) --Transfer Agency, Dividend Disbursing Agency and Shareholder Servicing Agency Agreement between Registrant and Financial Data Services, Inc.

</TABLE>

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- <TABLE>
- <S> <C>
- (b) --Agreement relating to the use of the "Merrill Lynch" name.
- 10 --None.
- 11 --Consent of Deloitte & Touche, independent auditors for the Registrant.
- 12 --None.
- 13 --Certificate of Merrill Lynch Investment Management, Inc.(b)
- 14 --None.
- 15(a) --Class A Distribution Plan of Registrant.
- (b) --Class B Distribution Plan of Registrant.
- 16 --Schedule of computation of each performance quotation provided in the Registration Statement in response to Item 22.

</TABLE>

- - - - -

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- (a) Filed as an Exhibit to Pre-Effective Amendment No. 3 to Registrant's Registration Statement under the Securities Act of 1933, on Form N-1A.
- (b) Filed as an Exhibit to Pre-Effective Amendment No. 4 to Registrant's Registration Statement under the Securities Act of 1933, on Form N-1A.

</TABLE>

ITEM 25. PERSONS CONTROLLED BY OR UNDER COMMON CONTROL WITH REGISTRANT.

The Registrant is not controlled by or under common control with any other person.

ITEM 26. NUMBER OF HOLDERS OF SECURITIES.

TITLE OF CLASS	NUMBER OF RECORD HOLDERS AT DECEMBER 31, 1993
Class A shares of beneficial interest, par value \$0.10 per share.....	105
Class B shares of beneficial interest, par value \$0.10 per share.....	500

</TABLE>

ITEM 27. INDEMNIFICATION.

Section 5.3 of the Registrant's Declaration of Trust provides as follows:

"The Trust shall indemnify each of its Trustees, officers, employees, and agents (including persons who serve at its request as directors, officers or trustees of another organization in which it has any interest, as a shareholder, creditor or otherwise) against all liabilities and expenses (including amounts paid in satisfaction of judgments, in compromise, as fines and penalties, and as counsel fees) reasonably incurred by him in connection with the defense or disposition of any action, suit or other proceeding, whether civil or criminal, in which he may be involved or with which he may be threatened, while in office or thereafter, by reason of his being or having been such a Trustee, officer, employee or agent, except with respect to any matter as to which he shall have been adjudicated to have acted in bad faith, willful misfeasance, gross negligence or reckless disregard of his duties; provided, however, that as to any matter disposed of by a compromise payment by such person, pursuant to a consent decree or otherwise, no indemnification either for said payment or for any other expenses shall be provided unless the Trust shall have received a written opinion from independent legal counsel approved by the Trustees to the effect that if either the matter of willful misfeasance, gross negligence or reckless disregard of duty, or the matter of good faith and reasonable belief as to the best interests of the Trust, had been

adjudicated, it would have been adjudicated in favor of such person. The rights accruing to any Person under these provisions shall not exclude any other right to which he may be

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lawfully entitled; provided that no Person may satisfy any right of indemnity or reimbursement granted herein or in Section 5.1 or to which he may be otherwise entitled except out of the property of the Trust, and no Shareholder shall be personally liable to any Person with respect to any claim for indemnity or reimbursement or otherwise. The Trustees may make advance payments in connection with indemnification under this Section 5.3, provided that the indemnified person shall have given a written undertaking to reimburse the Trust in the event it is subsequently determined that he is not entitled to such indemnification."

Insofar as the conditional advancing of indemnification moneys for actions based upon the Investment Company Act of 1940 may be concerned, such payments will be made only on the following conditions: (i) the advances must be limited to amounts used, or to be used, for the preparation or presentation of a defense to the action, including costs connected with the preparation of a settlement; (ii) advances may be made only upon receipt of a written promise by, or on behalf of, the recipient to repay that amount of the advance which exceeds the amount to which it is ultimately determined that he is entitled to receive from the Registrant by reason of indemnification; and (iii) (a) such promise must be secured by a surety bond, other suitable insurance or an equivalent form of security which assures that any repayments may be obtained by the Registrant without delay or litigation, which bond, insurance or other form of security must be provided by the recipient of the advance, or (b) a majority of a quorum of the Registrant's disinterested, non-party Trustees, or an independent legal counsel in a written opinion, shall determine, based upon a review of readily available facts, that the recipient of the advance ultimately will be found entitled to indemnification.

In Section 9 of the Distribution Agreements relating to the securities being offered hereby, the Registrant agrees to indemnify the Distributor and each person, if any, who controls the Distributor within the meaning of the Securities Act of 1933, against certain types of civil liabilities arising in connection with the Registration Statement or Prospectus and Statement of Additional Information.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to Trustees, officers and controlling persons of the Registrant and the principal underwriter pursuant to the foregoing provisions or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a Trustee, officer, or controlling person of the Registrant and the principal underwriter in connection with the successful defense of any action, suit or proceeding) is asserted by such Trustee, officer or controlling person or the principal underwriter in connection with the shares being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

ITEM 28. BUSINESS AND OTHER CONNECTIONS OF INVESTMENT ADVISER.

(a) Merrill Lynch Asset Management, L.P., doing business as Merrill Lynch Asset Management (the "Investment Adviser"), acts as investment adviser for the following registered investment companies: Convertible Holdings, Inc., Merrill Lynch Adjustable Rate Securities Fund, Inc., Merrill Lynch Americas Income Fund, Inc., Merrill Lynch Balanced Fund for Investment and Retirement, Merrill Lynch Capital Fund, Inc., Merrill Lynch Developing Capital Markets Fund, Inc., Merrill Lynch Dragon Fund, Inc., Merrill Lynch EuroFund, Merrill Lynch Fundamental Growth Fund, Inc., Merrill Lynch Fund For Tomorrow, Inc., Merrill Lynch Global Bond Fund for Investment and Retirement,

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Merrill Lynch Global Allocation Fund, Inc., Merrill Lynch Global Convertible Fund, Inc., Merrill Lynch Global Holdings, Merrill Lynch Global Utility Fund, Inc., Merrill Lynch Growth Fund for Investment and Retirement, Merrill Lynch Healthcare Fund, Inc., Merrill Lynch High Income Municipal Bond Fund, Inc., Merrill Lynch Institutional Intermediate Fund, Merrill Lynch International Equity Fund, Merrill Lynch Latin America Fund, Inc., Merrill Lynch Municipal Series Trust, Merrill Lynch Natural Resources Trust, Merrill Lynch Pacific Fund, Inc., Merrill Lynch Ready Assets Trust, Merrill Lynch Retirement Series Trust, Merrill Lynch Series Fund, Inc., Merrill Lynch Short-Term Global Income Fund, Inc., Merrill Lynch Strategic Dividend Fund, Merrill Lynch Technology Fund, Inc., Merrill Lynch U.S. Treasury Money Fund, Merrill Lynch Utility Income Fund, Inc., Merrill Lynch Variable Series Funds, Inc. and Senior Floating Rate Fund, Fund Asset Management, L.P. ("FAM"), an affiliate of the Investment Adviser,

acts as the investment adviser for the following registered investment companies: Apex Municipal Fund, Inc., CBA Money Fund, CMA Government Securities Fund, CMA Money Fund, CMA Multi-State Municipal Series Trust, CMA Tax-Exempt Fund, CMA Treasury Fund, The Corporate Fund Accumulation Program, Inc., Corporate High Yield Fund, Inc., Corporate High Yield Fund II, Inc., Financial Institutions Series Trust, Income Opportunities Fund 1999, Inc., Income Opportunities Fund 2000, Inc., Merrill Lynch Basic Value Fund, Inc., Merrill Lynch California Municipal Series Trust, Merrill Lynch Corporate Bond Fund, Inc., Merrill Lynch Federal Securities Trust, Merrill Lynch Funds for Institutions Series, Merrill Lynch Institutional Tax-Exempt Fund, Merrill Lynch Multi-State Municipal Series Trust, Merrill Lynch Multi-State Limited Maturity Municipal Series Trust, Merrill Lynch Municipal Bond Fund, Inc., Merrill Lynch Phoenix Fund, Inc., Merrill Lynch Special Value Fund, Inc., Merrill Lynch World Income Fund, Inc., MuniAssets Fund, Inc., MuniBond Income Fund, Inc., The Municipal Fund Accumulation Program, Inc., MuniEnhanced Fund, Inc., MuniInsured Fund, Inc., MuniVest Fund, Inc., MuniVest Fund II, Inc., MuniVest California Insured Fund, Inc., MuniVest Florida Fund, MuniVest Michigan Insured Fund, Inc., MuniVest New Jersey Fund, Inc., MuniVest New York Insured Fund, Inc., MuniVest Pennsylvania Insured Fund, MuniYield Arizona Fund, Inc., MuniYield Arizona Fund II, Inc., MuniYield California Fund, Inc., MuniYield California Insured Fund, Inc., MuniYield California Insured Fund II, Inc., MuniYield Florida Fund, MuniYield Florida Insured Fund, MuniYield Fund, Inc., MuniYield Insured Fund, Inc., MuniYield Insured Fund II, Inc., MuniYield Michigan Fund, Inc., MuniYield Michigan Insured Fund, Inc., MuniYield New Jersey Fund, Inc., MuniYield New Jersey Insured Fund, Inc., MuniYield New York Insured Fund, Inc., MuniYield New York Insured Fund II, Inc., MuniYield New York Insured Fund III, Inc., MuniYield Pennsylvania Fund, MuniYield Quality Fund, Inc., MuniYield Quality Fund II, Inc., Senior High Income Portfolio, Inc., Senior High Income Portfolio II, Inc., Taurus MuniCalifornia Holdings, Inc., and Taurus MuniNewYork Holdings, Inc. The address of each of these investment companies is Box 9011, Princeton, New Jersey 08543-9011, except that the address of Merrill Lynch Funds for Institutions Series, Merrill Lynch Institutional Tax-Exempt Fund and Merrill Lynch Institutional Intermediate Fund is One Financial Center, 15th Floor, Boston, Massachusetts 02111-2646. The address of the Investment Adviser and FAM is also Box 9011, Princeton, New Jersey 08543-9011. The address of Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch") and Merrill Lynch & Co., Inc. ("ML&Co.") is World Financial Center, North Tower, 250 Vesey Street, New York, New York 10281.

Set forth below is a list of each executive officer and partner of the Investment Adviser indicating each business, profession, vocation or employment of a substantial nature in which each such person or entity has been engaged since December 31, 1991, for his or its own account or in the capacity of director, officer, partner or trustee. In addition, Mr. Zeikel is President, Mr. Richard is Treasurer and

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Mr. Glenn is Executive Vice President of substantially all of the investment companies described in the preceding paragraph, and Messrs. Durnin, Giordano, Harvey, Kirstein and Monagle are directors, trustees or officers of one or more of such companies.

<TABLE>	<S>	<C>	POSITION WITH THE INVESTMENT ADVISER	<C> OTHER SUBSTANTIAL BUSINESS, PROFESSION, VOCATION OR EMPLOYMENT
ML & Co..... Merrill Lynch Investment Management, Inc.....	Limited Partner		Financial Services Holding Company	
Princeton Services, Inc. ("Princeton Services")..... Arthur Zeikel.....	Limited Partner		Investment Advisory Services; Limited Partner of FAM	General Partner of FAM
Terry K. Glenn.....	General Partner		President of FAM; President and Director of Princeton Services; Director of Merrill Lynch Funds Distributor, Inc. ("MLFD"); Executive Vice President of ML & Co.; Executive Vice President of Merrill Lynch	Executive Vice President of FAM;
Bernard J. Durnin.....	Executive Vice President		Executive Vice President and Director of Princeton Services; President and Director of MLFD; Director of Financial Data Services, Inc. ("FDS"); President of Princeton Administrators	Senior Vice President of FAM; Senior Vice President of Princeton Services
Vincent R. Giordano.....	Senior Vice President		Senior Vice President of FAM; Senior Vice President of Princeton Services	Senior Vice President of FAM
Elizabeth Griffin.....	Senior Vice President		Senior Vice President of FAM	

Norman R. Harvey.....	Senior Vice President	Senior Vice President of FAM; Senior Vice President of Princeton Services
N. John Hewitt.....	Senior Vice President	Senior Vice President of FAM; Senior Vice President of Princeton Services
Philip L. Kirstein.....	Senior Vice President, General Counsel and Secretary	Senior Vice President, General Counsel, and Secretary of FAM; Senior Vice President, General Counsel, Director and Secretary of Princeton Services; Director of MLFD

</TABLE>

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NAME	POSITION WITH THE INVESTMENT ADVISER	OTHER SUBSTANTIAL BUSINESS, PROFESSION, VOCATION OR EMPLOYMENT
Ronald M. Kloss.....	Senior Vice President and Controller	Senior Vice President and Controller of FAM; Senior Vice President and Controller of Princeton Services
Stephen M.M. Miller.....	Senior Vice President	Executive Vice President of Princeton Administrators; Senior Vice President of Princeton Services
Joseph T. Monagle, Jr.....	Senior Vice President	Senior Vice President of FAM; Senior Vice President of Princeton Services
Gerald M. Richard.....	Senior Vice President and Treasurer	Senior Vice President and Treasurer of FAM; Senior Vice President and Treasurer of Princeton Services; Vice President and Treasurer of MLFD
Richard L. Rufener.....	Senior Vice President	Vice President of MLFD; Senior Vice President of Princeton Services
Ronald L. Welburn.....	Senior Vice President	Senior Vice President of FAM; Senior Vice President of Princeton Services
Anthony Wiseman.....	Senior Vice President	Senior Vice President of Princeton Services

</TABLE>

(b) Merrill Lynch Asset Management U.K. Limited ("MLAM U.K.") acts as sub-adviser for the following registered investment companies: Merrill Lynch EuroFund, Merrill Lynch Global Allocation Fund, Inc., Merrill Lynch International Equity Fund and Merrill Lynch Short-Term Global Income Fund, Inc. The address of each of these investment companies is Box 9011, Princeton, New Jersey 08543-9011. The address of MLAM U.K. is Ropemaker Place, 25 Ropemaker Street, 1st Floor, London EC24 9LY, England.

Set forth below is a list of each executive officer and director of MLAM U.K. indicating each business, profession, vocation or employment of a substantial nature in which each such person has been engaged since December 31, 1991, for his own account or in the capacity of director, officer, partner or trustee. In addition, Messrs. Zeikel, Albert, Glenn, Harvey, Richard and Yardley are officers of one or more of the registered investment companies listed in the preceding paragraph:

NAME	POSITION WITH MLAM U.K.	OTHER SUBSTANTIAL BUSINESS, PROFESSION, VOCATION OR EMPLOYMENT
Arthur Zeikel.....	Chairman	President of the Investment Adviser and FAM; President and Director of Princeton Services; Director of MLFD; Executive Vice President of ML & Co.; Executive Vice President of Merrill Lynch
Alan J. Albert.....	Managing Director	Vice President of the Investment Adviser

</TABLE>

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NAME	POSITION WITH MLAM U.K.	OTHER SUBSTANTIAL BUSINESS, PROFESSION, VOCATION OR EMPLOYMENT
Terry K. Glenn.....	Managing Director	Executive Vice President of the Investment

		Adivser and FAM; Executive Vice President and Director of Princeton Services; President and Director of MLFD; Director of FDS; President of Princeton Administrators
Paul J. Sarosy.....	Managing Director	None
Norman R. Harvey.....	Senior Vice President	Senior Vice President of the Investment Adviser and FAM; Senior Vice President of Princeton Services
Gerald M. Richard.....	Senior Vice President	Senior Vice President and Treasurer of the Investment Adviser and FAM; Senior Vice President and Treasurer of Princeton Services; Vice President and Treasurer of MLFD
Jeffrey Lawrence.....	Vice President	None
Adrian Holmes.....	Vice President	None
Steven J. Yardley.....	Vice President	None
Carol Ann Langham.....	Company Secretary	None
Debra Anne Searle.....	Assistant Company Secretary	None

ITEM 29. PRINCIPAL UNDERWRITERS.

(a) MLFD acts as the principal underwriter for the Registrant and for each of the investment companies referred to in the first paragraph of Item 28 except Apex Municipal Fund, Inc., CBA Money Fund, CMA Government Securities Fund, CMA Money Fund, CMA Multi-State Municipal Series Trust, CMA Tax-Exempt Fund, CMA Treasury Fund, Convertible Holdings, Inc., The Corporate Fund Accumulation Program, Inc., Corporate High Yield Fund, Inc., Corporate High Yield Fund II, Inc., Income Opportunities Fund 1999, Inc., Income Opportunities Fund 2000, Inc., MuniAssets Fund, Inc., MuniBond Income Fund, Inc., The Municipal Fund Accumulation Program, Inc., MuniEnhanced Fund, Inc., MuniInsured Fund, Inc., MuniVest Fund, Inc., MuniVest Fund II, Inc., MuniVest California Insured Fund, Inc., MuniVest Florida Fund, MuniVest Michigan Insured Fund, Inc., MuniVest New Jersey Fund, Inc., MuniVest New York Insured Fund, Inc., MuniVest Pennsylvania Fund, MuniYield Arizona Fund, MuniYield Arizona Fund II, Inc., MuniYield California Fund, Inc., MuniYield California Insured Fund, Inc., MuniYield Florida Fund, MuniYield Florida Insured Fund, MuniYield Fund, Inc., MuniYield Insured Fund, Inc., MuniYield Insured Fund II, Inc., MuniYield Michigan Fund, Inc., MuniYield Michigan Insured Fund, Inc., MuniYield New Jersey Fund, Inc., MuniYield New Jersey Insured Fund, Inc., MuniYield New York Insured Fund, Inc., MuniYield New York Insured Fund II, Inc., MuniYield New York Insured Fund III, Inc., MuniYield Pennsylvania Fund, MuniYield Quality Fund, Inc., MuniYield Quality Fund II, Inc., Senior High Income Portfolio, Inc., Senior High Income Portfolio II, Inc., Taurus MuniCalifornia Holdings, Inc. and Taurus MuniNewYork Holdings, Inc.

(b) Set forth below is information concerning each director and officer of MLFD. The principal business address of each such person is Box 9011, Princeton, New Jersey 08543-9011, except that the

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address of Messrs. Crook, Aldrich, Breen, Graczyk, Fatseas and Wasel is One Financial Center, Boston, Massachusetts 02111-2646.

<TABLE>  
<CAPTION>

(1) NAME	(2) POSITION(S) AND OFFICE(S) WITH MLFD	(3) POSITION(S) AND OFFICES WITH REGISTRANT
<S>	<C>	<C>
Terry K. Glenn.....	President and Director	Executive Vice President
Arthur Zeikel.....	Director	President and Trustee
Philip L. Kirstein.....	Director	None
William E. Aldrich.....	Senior Vice President	None
Robert W. Crook.....	Senior Vice President	None
Michael J. Brady.....	Vice President	None
William M. Breen.....	Vice President	None
Sharon Creveling.....	Vice President and Assistant Treasurer	None
Mark A. DeSario.....	Vice President	None
James T. Fatseas.....	Vice President	None
Stanley Graczyk.....	Vice President	None
Michelle T. Lau.....	Vice President	None
Debra W. Landsman-Yaros.....	Vice President	None
Gerald M. Richard.....	Vice President and Treasurer	Treasurer
Richard L. Rufener.....	Vice President	None
Salvatore Venezia.....	Vice President	None

William Wasel..... Assistant Vice President None  
 Robert Harris..... Secretary None  
 </TABLE>

(c) Not applicable.

ITEM 30. LOCATION OF ACCOUNTS AND RECORDS.

All accounts, books and other documents required to be maintained by Section 31(a) of the Investment Company Act of 1940, as amended, and the rules thereunder are maintained at the offices of the Registrant, 800 Scudders Mill Road, Plainsboro, New Jersey 08536, and Financial Data Services, Inc., 4800 Deer Lake Drive East, Jacksonville, Florida 32246-6484.

ITEM 31. MANAGEMENT SERVICES.

Other than as set forth under the caption "Management of the Fund--Advisory and Management Arrangements" in the Prospectus constituting Part A of the Registration Statement and under "Management of the Fund--Advisory and Management Arrangements" in the Statement of Additional Information constituting Part B of the Registration Statement, Registrant is not a party to any management related service contract.

ITEM 32. UNDERTAKINGS.

If requested to do so by the holders of at least 10% of the Fund's outstanding shares, the Fund will call a meeting of shareholders for the purpose of voting upon the question of removal of a Trustee or Trustees, and the Fund will also assist communications with other shareholders as required by Section 16(c) of the Investment Company Act of 1940, as amended.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933 and the Investment Company Act of 1940, the Registrant certifies that it meets all of the requirements for effectiveness of this Amendment to its Registration Statement pursuant to Rule 485(b) under the Securities Act of 1933 and has duly caused this Amendment to its Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the Township of Plainsboro, and the State of New Jersey, on the 13th day of January 1994.

MERRILL LYNCH INTERNATIONAL  
 EQUITY FUND  
 (REGISTRANT)

By: /s/ ARTHUR ZEIKEL  
 -----

(Arthur Zeikel, President)

Pursuant to the requirements of the Securities Act of 1933, this Amendment to Registrant's Registration Statement has been signed below by the following persons in the capacities and on the date(s) indicated.

<TABLE> <CAPTION>	SIGNATURE	TITLE	DATE(S)
<S>	/s/ ARTHUR ZEIKEL  (Arthur Zeikel)	<C> President and Trustee (Principal Executive Officer)	<C> January 13, 1994
	/s/ GERALD M. RICHARD  (Gerald M. Richard)	Treasurer (Principal Financial and Accounting Officer)	January 13, 1994
	DONALD CECIL*  (Donald Cecil)	Trustee	January 13, 1994
	EDWARD H. MEYER*  (Edward H. Meyer)	Trustee	January 13, 1994
	CHARLES C. REILLY*  (Charles C. Reilly)	Trustee	January 13, 1994

(Richard R. West)

\*By /s/ARTHUR ZEIKEL

January 13, 1994

(Arthur Zeikel, Attorney-in-Fact)

&lt;/TABLE&gt;

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## EXHIBIT INDEX

&lt;TABLE&gt;

&lt;CAPTION&gt;

EXHIBIT NUMBER	DESCRIPTION	PAGE NUMBER
-------------------	-------------	----------------

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(b)	--Certificate of Establishment and Designation of Class A Shares and Class B Shares. (b)	
2	--Amended and Restated By-Laws of Registrant. (a)	
3	--None.	
4	--Copies of instruments defining the rights of shareholders, including the relevant portions of the Amended and Restated Declaration of Trust, Certificate of Establishment and Designation and Amended and Restated By-Laws of Registrant. (b)	
5 (a)	--Investment Advisory Agreement between Registrant and Merrill Lynch Investment Management, Inc.	
(b)	--Sub-Advisory Agreement between Merrill Lynch Investment Management, Inc. and Merrill Lynch Asset Management U.K. Limited.	
6 (a)	--Class A Distribution Agreement between Registrant and Merrill Lynch Funds Distributor, Inc.	
(b)	--Class B Distribution Agreement between Registrant and Merrill Lynch Funds Distributor, Inc.	
(c)	--Letter Agreement between the Registrant and Merrill Lynch Funds Distributor, Inc. with respect to the Merrill Lynch Mutual Fund Adviser Program.	
7	--None.	
8	--Custodian Agreement between Registrant and Brown Brothers Harriman & Co.	
9 (a)	--Transfer Agency, Dividend Disbursing Agency and Shareholder Servicing Agency Agreement between Registrant and Financial Data Services, Inc.	
(b)	--Agreement relating to the use of the "Merrill Lynch" name.	
10	--None.	
11	--Consent of Deloitte & Touche, independent auditors for the Registrant.	
12	--None.	
13	--Certificate of Merrill Lynch Investment Management, Inc. (b)	
14	--None.	
15 (a)	--Class A Distribution Plan of Registrant.	
(b)	--Class B Distribution Plan of Registrant.	
16	--Schedule of computation of each performance quotation provided in the registration statement in response to Item 22.	

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| (a) | Filed as an Exhibit to Pre-Effective Amendment No. 3 to Registrant's Registration Statement under the Securities Act of 1933, on Form N-1A. |
| (b) | Filed as an Exhibit to Pre-Effective Amendment No. 4 to Registrant's Registration Statement under the Securities Act of 1933, on Form N-1A. |

&lt;/TABLE&gt;



INVESTMENT ADVISORY AGREEMENT

AGREEMENT made this 20th day of July 1993, by and between MERRILL LYNCH INTERNATIONAL EQUITY FUND, a Massachusetts business trust (hereinafter referred to as the "Fund"), and MERRILL LYNCH INVESTMENT MANAGEMENT, INC., a Delaware corporation (hereinafter referred to as the "Investment Adviser").

W I T N E S S E T H:

- - - - -

WHEREAS, the Fund is engaged in business as an open-end investment company registered under the Investment Company Act of 1940, as amended (hereinafter referred to as the "Investment Company Act"); and

WHEREAS, the Investment Adviser is engaged principally in rendering management and investment advisory services and is registered as an investment adviser under the Investment Advisers Act of 1940, as amended; and

WHEREAS, the Fund desires to retain the Investment Adviser to render management and investment advisory services to the Fund in the manner and on the terms hereinafter set forth; and

WHEREAS, the Investment Adviser is willing to provide management and investment advisory services to the Fund on the

terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and the covenants hereinafter contained, the Fund and the Investment Adviser hereby agree as follows:

ARTICLE I

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Duties of the Investment Adviser

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The Fund hereby employs the Investment Adviser to act as an investment manager and investment adviser of the Fund and to furnish, or arrange for affiliates to furnish, the management and investment advisory services described below, subject to policies of, review by and overall control of the Board of Trustees of the Fund (the "Trustees"), for the period and on the terms and conditions set forth in this Agreement. The Investment Adviser hereby accepts such employment and agrees during such period, at its own expense, to render, or arrange for the rendering of, such

services and to assume the obligations herein set forth for the compensation provided for herein. The Investment Adviser and its affiliates shall for all purposes herein be deemed to be independent contractors and shall, unless otherwise expressly provided or authorized, have no authority to act for or represent the Fund in any way or otherwise be deemed agents of the Fund.

(a) Management Services. The Investment Adviser shall  
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perform (or arrange for the performance by affiliates of) the management and administrative services necessary for the operation of the Fund including administering shareholder accounts and handling shareholder relations. The Investment Adviser shall provide the Fund with office space, equipment and facilities and such other services as the Investment Adviser, subject to review by the Trustees, shall from time to time determine to be necessary or useful to perform its obligations

under this Agreement. The Investment Adviser shall also, on behalf of the Fund, conduct relations with custodians,

depositories, transfer agents, dividend disbursing agents, other shareholder service agents, accountants, attorneys, underwriters, brokers and dealers, corporate fiduciaries, insurers, banks and such other persons in any such other capacity deemed to be necessary or desirable. The Investment Adviser shall generally monitor the Fund's compliance with investment policies and restrictions as set forth in the currently effective prospectus and statement of additional information relating to the shares of the Fund under the Securities Act of 1933, as amended (the "Prospectus" and "Statement of Additional Information", respectively). The Investment Adviser shall make reports to the Trustees of its performance of obligations hereunder and furnish advice and recommendations with respect to such other aspects of the business and affairs of the Fund as it shall determine to be desirable.

(b) Investment Advisory Services. The Investment Adviser  
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shall provide the Fund with such investment research, advice and supervision as the latter may from time to time consider necessary for the proper supervision of the assets of the Fund, shall furnish continuously an investment program for the Fund and shall determine from time to time which securities shall be purchased, sold or exchanged and what portion of the assets of the Fund shall be held in the various money market securities or cash, subject always to the restrictions of the Declaration of

Trust and By-Laws of the Fund, as amended from time to time, the provisions of the Investment Company Act and the statements relating to the Fund's investment objective, investment policies and investment restrictions as the same are set forth in the Prospectus and Statement of Additional Information. The Investment Adviser shall make decisions for the Fund as to foreign currency matters and make determinations as to foreign exchange contracts. The Investment Adviser shall also make decisions for the Fund as to the manner in which voting rights, rights to consent to corporate action and any other rights pertaining to the Fund's portfolio securities shall be exercised. Should the Trustees at any time, however, make any definite determination as to investment policy and notify the Investment Adviser thereof in writing, the Investment Adviser shall be bound by such determination for the period, if any, specified in such notice or until similarly notified that such determination has been revoked. The Investment Adviser shall take, on behalf of the Fund, actions which it deems necessary to implement the investment policies determined as provided above, and in

particular to place orders for the purchase or sale of portfolio securities for the Fund's account with brokers or dealers selected by it, and to this end the Investment Adviser is authorized as the agent of the Fund to give instructions to the custodian of the Fund as to deliveries of securities and payments of cash for the account of the Fund. In connection with the selection of such brokers or dealers and the placing of such

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orders with respect to assets of the Fund, the Investment Adviser is directed at all times to seek to obtain execution and price within the policy guidelines determined by the Trustees as set forth in the Prospectus and Statement of Additional Information. Subject to this requirement and the provisions of the Investment Company Act, the Securities Exchange Act of 1934, as amended, and other applicable provisions of law, the Investment Adviser may select brokers or dealers with which it or the Fund is affiliated.

## ARTICLE II

Allocation of Charges and Expenses  
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(a) The Investment Adviser. The Investment Adviser assumes  
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and shall pay for maintaining the staff and personnel necessary to perform its obligations under this Agreement, and shall, at its own expense, provide the office space, equipment and facilities which it is obligated to provide under Article I hereof, and shall pay all compensation of officers of the Fund and all Trustees who are affiliated persons of the Investment Adviser.

(b) The Fund. The Fund assumes and shall pay or cause to be  
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paid all other expenses of the Fund (except for the expenses paid by the Distributor), including, without limitation: redemption expenses; expenses of portfolio transactions; expenses of registering shares under Federal and state securities laws; pricing costs (including the daily calculation of net asset value); expenses of printing shareholder reports, prospectuses

and statements of additional information; Securities and Exchange Commission fees; interest; taxes; fees and actual out-of-pocket expenses of Trustees who are not affiliated persons of the Investment Adviser; fees for legal and auditing services; litigation expenses; costs of printing proxies and other expenses related to shareholder meetings; and other expenses properly payable by the Fund. It is also understood that the Fund will reimburse the Investment Adviser for its costs in providing accounting services to the Fund. The Distributor will pay certain of the expenses of the Fund incurred in connection with the continuous offering of Fund shares.

ARTICLE III

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Compensation of the Investment Adviser

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(a) Investment Advisory Fee. For the services rendered, the

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facilities furnished and expenses assumed by the Investment Adviser, the Fund shall pay to the Investment Adviser at the end of each calendar month a fee based upon the average daily value of the net assets of the Fund, as determined and computed in accordance with the description of the determination of net asset value contained in the Prospectus and Statement of Additional Information, at the annual rate of 0.75 of 1.0% (.75%) of the average daily net assets of the Fund, commencing on the day following effectiveness hereof. If this Agreement becomes effective subsequent to the first day of a month or shall



terminate before the last day of a month, compensation for the part of the month that this Agreement is in effect shall be

prorated in a manner consistent with the calculation of the fee as set forth above. Subject to the provisions of subsection (b) hereof, payment of the Investment Adviser's compensation for the preceding month shall be made as promptly as possible after completion of the computations contemplated by subsection (b) hereof. During any period when the determination of net asset value is suspended by the Trustees, the net asset value as of the last business day prior to such suspension shall for this purpose be deemed to be the net asset value at the close of each succeeding business day until it is again determined.

(b) Expense Limitations. In the event that the operating

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expenses of the Fund, including amounts payable to the Investment Adviser pursuant to subsection (a) hereof, for any fiscal year ending on a date on which this Agreement is in effect exceed the expense limitations applicable to the Fund imposed by applicable

state securities laws or regulations thereunder, as such limitations may be raised or lowered from time to time, the Investment Adviser shall reduce its investment advisory fee by the extent of such excess and, if required pursuant to any such laws or regulations, will reimburse the Fund in the amount of such excess, provided, however, to the extent permitted by law, there shall be excluded from such expenses the amount of any interest, taxes, brokerage commissions and extraordinary expenses (including but not limited to legal claims and liabilities and litigation costs and any indemnification related thereto) paid or payable by the Fund. Whenever the expenses of the Fund exceed a

pro rata portion of the applicable annual expense limitations, the estimated amount of reimbursement under such limitations shall be applicable as an offset against the monthly payment of the investment advisory fee due to the Investment Adviser. Should two or more such expense limitations be applicable as of the end of the last business day of the month, that expense limitation which results in the largest reduction in the

Investment Adviser's fee shall be applicable.

ARTICLE IV

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Sub-Advisory Agreement

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The Investment Adviser may enter into a separate sub-advisory agreement with Merrill Lynch Asset Management U.K. Limited ("MLAM U.K.") in which the Investment Adviser may contract for sub-advisory services and pay MLAM U.K. compensation for its services out of the compensation received hereunder pursuant to Article III. Such sub-advisory agreement will be coterminous with this Investment Advisory Agreement.

ARTICLE V

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Limitation of Liability of the Investment Adviser

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The Investment Adviser shall not be liable for any error of judgment or mistake of law or for any loss arising out of any investment or for any act or omission in the management of the Fund, except for willful misfeasance, bad faith or gross negligence in the performance of its duties, or by reason of reckless disregard of its obligations and duties hereunder. As used in this Article V, the term "Investment Adviser" shall

include any affiliates of the Investment Adviser performing services for the Fund contemplated hereby and directors, officers and employees of the Investment Adviser and such affiliates.

ARTICLE VI

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Activities of the Investment Adviser

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The services of the Investment Adviser to the Fund are not to be deemed to be exclusive, and the Investment Adviser and any person controlled by or under common control with the Investment Adviser (for purposes of Article V referred to as "affiliates") are free to render services to others. It is understood that Trustees, officers, employees and shareholders of the Fund are or may become interested in the Investment Adviser and its affiliates, as directors, officers, employees and shareholders or otherwise, and that directors, officers, employees and shareholders of the Investment Adviser and its affiliates are or may become similarly interested in the Fund and that the Investment Adviser may become interested in the Fund as a shareholder or otherwise.

ARTICLE VII

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Duration and Termination of this Agreement

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This Agreement shall become effective as of the date first above written and shall remain in force until June 30, 1995, and thereafter, but only for so long as such continuance is specifically approved at least annually by (i) the Trustees, or by the vote of a majority of the outstanding voting securities of the Fund and (ii) a majority of those Trustees who are not

parties to this Agreement or interested persons of any such party cast in person at a meeting called for the purpose of voting on such approval.

This Agreement may be terminated at any time, without the payment of any penalty, by the Trustees or by vote of a majority of the outstanding voting securities of the Fund, or by the Investment Adviser, on sixty days' written notice to the other party. This Agreement shall automatically terminate in the event of its assignment.

ARTICLE VIII  
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Amendments of this Agreement

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This Agreement may be amended by the parties only if such amendment is specifically approved by (i) the vote of a majority of the outstanding voting securities of the Fund and (ii) a majority of those Trustees who are not parties to this Agreement or interested persons of any such party cast in person at a meeting called for the purpose of voting on such approval.

ARTICLE IX  
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Definitions of Certain Terms  
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The terms "vote of a majority of the outstanding voting securities", "assignment", "affiliated person" and "interested person", when used in this Agreement, shall have the respective meanings specified in the Investment Company Act and the Rules and Regulations thereunder, subject, however, to such exemptions as may be granted by the Securities and Exchange Commission under the Investment Company Act.

ARTICLE X

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Governing Law  
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This Agreement shall be construed in accordance with laws of the State of New York and the applicable provisions of the Investment Company Act. To the extent that the applicable laws of the State of New York, or any of the provisions herein, conflict with the applicable provisions of the Investment Company Act, the latter shall control.

ARTICLE XI  
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Personal Liability  
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The Declaration of Trust establishing the Fund, dated January 3, 1992, a copy of which, together with all amendments thereto (the "Declaration"), is on file in the office of the Secretary of the Commonwealth of Massachusetts, provides that the name "Merrill Lynch International Equity Fund" refers to the Trustees under the Declaration collectively as trustees, but not as individuals or personally; and no Trustee, shareholder, officer, employee or agent of the Fund shall be held to any personal liability, nor shall resort be had to their private property for the satisfaction of any obligation or claim or otherwise in connection with the affairs of the Fund, but the "Trust Property" only shall be liable.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the day and year first above written.

MERRILL LYNCH INTERNATIONAL EQUITY FUND

By /s/ Norman R. Harvey

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Title: Senior Vice President

MERRILL LYNCH INVESTMENT MANAGEMENT, INC.

By /s/ Arthur Zeikel

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Title: President





SUB-ADVISORY AGREEMENT

AGREEMENT made as of the 20th day of July 1993, by and between MERRILL LYNCH INVESTMENT MANAGEMENT, INC., a Delaware corporation doing business as MERRILL LYNCH ASSET MANAGEMENT (hereinafter referred to as "MLAM"), and MERRILL LYNCH ASSET MANAGEMENT U.K. LIMITED, a corporation organized under the laws of England and Wales (hereinafter referred to as "MLAM U.K.").

W I T N E S S E T H:

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WHEREAS, MERRILL LYNCH INTERNATIONAL EQUITY FUND (the "Fund") is a Massachusetts business trust engaged in business as a diversified, open-end investment company registered under the Investment Company Act of 1940, as amended (hereinafter referred to as the "Investment Company Act"); and

WHEREAS, MLAM and MLAM U.K. are engaged principally in rendering investment advisory services and are registered as investment advisers under the Investment Advisers Act of 1940, as amended;

WHEREAS, MLAM U.K. is a member of the Investment Management Regulatory Organization, a self-regulating organization recognized under the Financial Services Act of 1986 of the United

Kingdom (hereinafter referred to as "IMRO"), and the conduct of its investment business is regulated by IMRO; and

WHEREAS, MLAM has entered into an investment advisory agreement with the Fund (the "Investment Advisory Agreement"), dated July 20, 1993, pursuant to which MLAM provides management and investment and advisory services to the Fund; and

WHEREAS, MLAM U.K. is willing to provide investment advisory services to MLAM in connection with the Fund's operations on the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and the covenants hereinafter contained, MLAM U.K. and MLAM hereby agree as follows:

ARTICLE I

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Duties of MLAM U.K.

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MLAM hereby employs MLAM U.K. to act as investment adviser to MLAM and to furnish, or arrange for affiliates to furnish, the investment advisory services described below, subject to the broad supervision of MLAM and the Fund, for the period and on the terms and conditions set forth in this Agreement. MLAM U.K. hereby accepts such employment and agrees during such period, at its own expense, to render, or arrange for the rendering of, such services and to assume the obligations herein set forth for the compensation provided for herein. MLAM and its affiliates shall for all purposes herein be deemed a Professional Investor as defined under the rules promulgated by IMRO (hereinafter referred to as the "IMRO Rules"). MLAM U.K. and its affiliates shall for all purposes herein be deemed to be an independent contractor and shall, unless otherwise expressly provided or authorized, have no

authority to act for or represent the Fund in any way or otherwise be deemed an agent of the Fund.

MLAM U.K. shall have the right to make unsolicited calls on MLAM and shall provide MLAM with such investment research, advice

and supervision as the latter may from time to time consider necessary for the proper supervision of the assets of the Fund; shall furnish continuously an investment program for the Fund and shall make recommendations from time to time as to which securities shall be purchased, sold or exchanged and what portion of the assets of the Fund shall be held in the various securities in which the Fund invests, options, futures, options on futures or cash; and shall effect transactions in the various securities in which the Fund invests, options, futures, options on futures or cash; all of the foregoing subject always to the restrictions of the Declaration of Trust and By-Laws of the Fund, as amended from time to time, the provisions of the Investment Company Act and the statements relating to the Fund's investment objective, investment policies and investment restrictions as the same are set forth in the currently effective prospectus and statement of additional information relating to the shares of the Fund under the Securities Act of 1933, as amended (the "Prospectus" and "Statement of Additional Information", respectively). MLAM U.K. shall make recommendations and effect transactions with respect to foreign currency matters, including foreign exchange contracts, foreign currency options, foreign currency futures and related options on foreign currency futures and forward foreign

currency transactions. MLAM U.K. shall also make recommendations or take action as to the manner in which voting rights, rights to consent to corporate action and any other rights pertaining to the Fund's portfolio securities shall be exercised.

MLAM U.K. will not hold money on behalf of MLAM or the Fund, nor will MLAM U.K. be the registered holder of MLAM's or the Fund's registered investments or the custodian of documents or other evidence of title.

ARTICLE II

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Allocation of Charges and Expenses

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MLAM U.K. assumes and shall pay for maintaining the staff and personnel necessary to perform its obligations under this Agreement and shall at its own expense provide the office space, equipment and facilities which it is obligated to provide under Article I hereof and shall pay all compensation of officers of the Fund and all Trustees of the Fund who are affiliated persons of MLAM U.K.

ARTICLE III

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Compensation of MLAM U.K.

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For the services rendered, the facilities furnished and expenses assumed by MLAM U.K., MLAM shall pay to MLAM U.K. a fee in an amount to be determined from time to time by MLAM and MLAM U.K. but in no event in excess of the amount that MLAM actually receives for providing services to the Fund pursuant to the Investment Advisory Agreement.

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ARTICLE IV

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Limitation of Liability of MLAM U.K.

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MLAM U.K. shall not be liable for any error of judgment or mistake of law or for any loss arising out of any investment or for any act of omission in the performance of sub-advisory services rendered with respect to the Fund, except for willful misfeasance, bad faith or gross negligence in the performance of its duties, or by reason of reckless disregard of its obligations and duties hereunder. As used in this Article IV, MLAM U.K.

shall include any affiliates of MLAM U.K. performing services for MLAM contemplated hereby and directors, officers and employees of MLAM U.K. and such affiliates.

ARTICLE V

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Activities of MLAM U.K.

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The services of MLAM U.K. to the Fund are not to be deemed to be exclusive, MLAM U.K. and any person controlled by or under common control with MLAM U.K. (for purpose of this Article V referred to as "affiliates") being free to render services to others. It is understood that Trustees, officers, employees and shareholders of the Fund are or may become interested in MLAM U.K. and its affiliates, as directors, officers, employees and shareholders or otherwise and that directors, officers, employees and shareholders of MLAM U.K. and its affiliates are or may become similarly interested in the Fund, and that MLAM U.K. and directors, officers, employees, partners and shareholders of its



affiliates may become interested in the Fund as shareholders or otherwise.

## ARTICLE VI

### MLAM U.K. Statements Pursuant to IMRO Rules

Any complaints concerning MLAM U.K. should be in writing addressed to the attention of the Managing Director of MLAM U.K. MLAM has the right to obtain from MLAM U.K. a copy of the IMRO complaints procedure and to approach IMRO directly.

MLAM U.K. may make recommendations, subject to the investment restrictions referred to in Article I herein, regarding Investments Not Readily Realisable (as that term is used in the IMRO Rules) or investments denominated in a currency other than British pound sterling. There can be no certainty that market makers will be prepared to deal in unlisted or thinly traded securities and an accurate valuation may be hard to obtain. The value of investments recommended by MLAM U.K. may be subject to exchange rate fluctuations which may have favorable or unfavorable effects on investments.

MLAM U.K. may make recommendations, subject to the investment restrictions referred to in Article I herein, regarding options, futures or contracts for differences. Markets can be highly volatile and such investments carry a high degree of risk of loss exceeding the original investment and any margin on deposit.

ARTICLE VII

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Duration and Termination of this Agreement

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This Agreement shall become effective as of the date first above written and shall remain in force until June 30, 1995, and thereafter, but only so long as such continuance is specifically approved at least annually by (i) the Trustees of the Fund or by the vote of a majority of the outstanding voting securities of the Fund and (ii) a majority of those Trustees who are not parties to this Agreement or interested persons of any such party cast in person at a meeting called for the purpose of voting on such approval.

This Agreement may be terminated at any time, without the payment of any penalty, by MLAM or by vote of a majority of the outstanding voting securities of the Fund, or by MLAM U.K., on sixty days' written notice to the other party. This Agreement

shall automatically terminate in the event of its assignment or in the event of the termination of the Investment Advisory Agreement. Any termination shall be without prejudice to the completion of transactions already initiated.

ARTICLE VIII

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Amendments of this Agreement

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This Agreement may be amended by the parties only if such amendment is specifically approved by (i) the Trustees of the Fund or by the vote of a majority of outstanding voting securities of the Fund and (ii) a majority of those Trustees who are not parties to this Agreement or interested persons of any

such party cast in person at a meeting called for the purpose of voting on such approval.

ARTICLE IX

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Definitions of Certain Terms

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The terms "vote of a majority of the outstanding voting securities", "assignment", "affiliated person" and "interested person", when used in this Agreement, shall have the respective meanings specified in the Investment Company Act and the rules and regulations thereunder, subject, however, to such exemptions as may be granted by the Securities and Exchange Commission under said Act.

ARTICLE X

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Governing Law

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This Agreement shall be construed in accordance with the laws of the State of New York and the applicable provisions of the Investment Company Act. To the extent that the applicable laws of the State of New York, or any of the provisions herein, conflict with the applicable provisions of the Investment Company Act, the latter shall control.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date first above written.

MERRILL LYNCH INVESTMENT MANAGEMENT, INC.

By /s/ Arthur Zeikel

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Title: President

MERRILL LYNCH ASSET MANAGEMENT U.K. LIMITED

By /s/ Terry K. Glenn

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Title: Managing Director



CLASS A SHARES

DISTRIBUTION AGREEMENT

AGREEMENT made as of the 17th day of June 1993 between MERRILL LYNCH INTERNATIONAL EQUITY FUND, a Massachusetts business trust (the "Fund"), and MERRILL LYNCH FUNDS DISTRIBUTOR, INC., a Delaware corporation (the "Distributor").

W I T N E S S E T H :  
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WHEREAS, the Fund is registered under the Investment Company Act of 1940, as amended (the "Investment Company Act"), as an open-end investment company, and it is affirmatively in the interest of the Fund to offer its shares for sale continuously; and

WHEREAS, the Distributor is a securities firm engaged in the business of selling shares of investment companies either directly to purchasers or through other securities dealers; and

WHEREAS, the Fund and the Distributor wish to enter into an agreement with each other with respect to the subscription offering and the continuous offering of the Class A shares of beneficial interest in the Fund.

NOW, THEREFORE, the parties agree as follows:

Section 1. Appointment of the Distributor. The Fund hereby  
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appoints the Distributor as the principal underwriter and distributor of the Fund to sell Class A shares of beneficial interest in the Fund (sometimes herein referred to as "Class A shares") to the public and hereby agrees during the term of this Agreement to

sell Class A shares of the Fund to the Distributor upon the terms and conditions herein set forth.

Section 2. Exclusive Nature of Duties. The Distributor  
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shall be the exclusive representative of the Fund to act as principal underwriter and distributor, except that:

(a) The Fund may, upon written notice to the Distributor, from time to time designate other principal underwriters and distributors of Class A shares with respect to areas other than the United States as to which the Distributor may have expressly waived in writing its right to act as such. If such designation is deemed exclusive, the right of the Distributor under this Agreement to sell Class A shares in the areas so designated shall



terminate, but this Agreement shall remain otherwise in full effect until terminated in accordance with the other provisions hereof.

(b) The exclusive right granted to the Distributor to purchase Class A shares from the Fund shall not apply to Class A shares issued in connection with the merger or consolidation of any other investment company or personal holding company with the Fund or the acquisition by purchase or otherwise of all (or substantially all) the assets or the outstanding Class A shares of any such company by the Fund.

(c) Such exclusive right also shall not apply to Class A shares issued by the Fund pursuant to reinvestment of dividends or capital gains distributions.

(d) Such exclusive right also shall not apply to Class A shares issued by the Fund pursuant to any reinstatement privilege afforded redeeming Class A shareholders.

Section 3. Purchase of Class A Shares from the Fund.  
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(a) Prior to the continuous offering of the Class A shares, commencing on a date agreed upon by the Fund and the Distributor, it is contemplated that the Distributor will solicit subscriptions for Class A shares during a subscription period which shall last for such period as may be agreed upon by the parties hereto. The subscriptions will be payable within five business days after the termination of the subscription period, at which time the Fund will commence operations.

(b) After the Fund commences operations, the Fund will commence an offering of its Class A shares, and thereafter the Distributor shall have the right to buy from the Fund the Class A shares needed, but not more than the Class A shares needed (except for clerical errors in transmission) to fill unconditional orders for Class A shares of the Fund placed with the Distributor by investors or securities dealers. The price which the Distributor shall pay for the Class A shares so purchased from the Fund shall be the net asset value, determined as set forth in Section 3(e) hereof, used in determining the public offering price on which such orders were based.

(c) The Class A shares are to be resold by the Distributor to investors at the public offering price, as set forth in Section 3(d) hereof, or to securities dealers having agreements

with the Distributor upon the terms and conditions set forth in Section 7 hereof.

(d) The public offering price(s) of the Class A shares, i.e., the price per share at which the Distributor or selected dealers may sell Class A shares to the public, shall be the public offering price as set forth in the currently effective prospectus and statement of additional information (the "prospectus" and "statement of additional information," respectively) under the Securities Act of 1933, as amended (the "Securities Act"), relating to such Class A shares, but not to exceed the net asset value at which the Distributor is to purchase the Class A shares, plus a sales charge not to exceed 6.50% of the public offering price (6.95% of the net amount invested), subject to reductions for volume purchases. Class A shares may be sold to certain Trustees, officers and employees of the Fund, and certain directors, officers and employees of the Investment Adviser (as that term is defined in the prospectus and statement of additional information), the Distributor and their subsidiaries, and to certain other persons described in the prospectus and statement of additional information, without a sales charge or at a reduced sales charge, upon terms and conditions set forth in the prospectus and statement of

additional information. If the public offering price does not equal an even cent, the public offering price may be adjusted to the nearest cent. All payments to the Fund hereunder shall be made in the manner set forth in Section 3(g).

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(e) The net asset value of Class A shares shall be determined by the Fund or any agent of the Fund in accordance with the method set forth in the prospectus and statement of additional information of the Fund and guidelines established by the Trustees.

(f) The Fund shall have the right to suspend the sale of its Class A shares at times when redemption is suspended pursuant to the conditions set forth in Section 4(b) hereof. The Fund shall also have the right to suspend the sale of its Class A shares if trading on the New York Stock Exchange shall have been suspended, if a banking moratorium shall have been declared by Federal or New York authorities, or if there shall have been some other event, which, in the judgment of the Fund, makes it impracticable or inadvisable to sell the Class A shares.

(g) The Fund, or any agent of the Fund designated in writing by the Fund, shall be promptly advised of all purchase orders for Class A shares received by the Distributor. Any order may be rejected by the Fund; provided, however, that the Fund will not arbitrarily or without reasonable cause refuse to accept or confirm orders for the purchase of Class A shares. The Fund (or its agent) will confirm orders upon their receipt, will make appropriate book entries and, upon receipt by the Fund (or its agent) of payment therefor, will deliver deposit receipts or certificates for such Class A shares pursuant to the instructions of the Distributor. Payment shall be made to the Fund in New York Clearing House funds. The Distributor agrees to cause such

payment and such instructions to be delivered promptly to the Fund (or its agent).

Section 4. Repurchase or Redemption of Class A Shares by  
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the Fund.  
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(a) Any of the outstanding Class A shares may be tendered

for redemption at any time, and the Fund agrees to repurchase or redeem the Class A shares so tendered in accordance with its obligations as set forth in Article VIII of its Declaration of Trust, as amended from time to time, and in accordance with the applicable provisions set forth in the prospectus and statement of additional information. The price to be paid to redeem or repurchase the Class A shares shall be equal to the net asset value calculated in accordance with the provisions of Section 3(e) hereof, less the redemption fee or other charge, if any, set forth in the prospectus and statement of additional information of the Fund. All payments by the Fund hereunder shall be made in the manner set forth below. The redemption or repurchase by the Fund of any of the Class A shares purchased by or through the Distributor will not affect the sales charge secured by the Distributor or any selected dealer in the course of the original sale, except that if any Class A shares are tendered for redemption or repurchase within seven business days after the date of the confirmation of the original purchase, the right to the sales charge shall be forfeited by the Distributor and the selected dealer which sold such Class A shares.

The Fund shall pay the total amount of the redemption price as defined in the above paragraph pursuant to the instructions of the Distributor in New York Clearing House funds on or before the seventh business day subsequent to its having received the notice of redemption in proper form.

(b) Redemption of Class A shares or payment may be suspended at times when the New York Stock Exchange is closed, when trading on said Exchange is suspended, when trading on said Exchange is restricted, when an emergency exists as a result of which disposal by the Fund of securities owned by it is not reasonably practicable or it is not reasonably practicable for the Fund fairly to determine the value of its net assets, or during any other period when the Securities and Exchange Commission, by order, so permits.

Section 5. Duties of the Fund.  
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(a) The Fund shall furnish to the Distributor copies of all information, financial statements and other papers which the Distributor may reasonably request for use in connection with the distribution of Class A shares of the Fund, and this shall include, upon request by the Distributor, one certified copy of all financial statements prepared for the Fund by independent public accountants. The Fund shall make available to the Distributor such number of copies of the prospectus and statement of addi-

tional information as the Distributor shall reasonably request.

(b) The Fund shall take, from time to time, but subject to any necessary approval of the Class A shareholders, all necessary

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action to fix the number of authorized Class A shares and such steps as may be necessary to register the same under the Securities Act, to the end that there will be available for sale such number of Class A shares as the Distributor may reasonably be expected to sell.

(c) The Fund shall use its best efforts to qualify and maintain the qualification of an appropriate number of its Class A shares for sale under the securities laws of such states as the Distributor and the Fund may approve. Any such qualification may be withheld, terminated or withdrawn by the Fund at any time in its discretion. As provided in Section 8(c) hereof, the expense of qualification and maintenance of qualification shall be borne by the Fund. The Distributor shall furnish such information and other material relating to its affairs and activities as may be required by the Fund in connection with such qualification.



(d) The Fund will furnish, in reasonable quantities upon request by the Distributor, copies of annual and interim reports of the Fund.

Section 6. Duties of the Distributor.  
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(a) The Distributor shall devote reasonable time and effort to effect sales of Class A shares of the Fund but shall not be obligated to sell any specific number of Class A shares. The services of the Distributor to the Fund hereunder are not to be deemed exclusive and nothing herein contained shall prevent the Distributor from entering into like arrangements with other in-

vestment companies so long as the performance of its obligations hereunder is not impaired thereby.

(b) In selling the Class A shares of the Fund, the Distributor shall use its best efforts in all respects duly to conform with the requirements of all Federal and state laws relating to the sale of such securities. Neither the Distributor nor any

selected dealer, as defined in Section 7 hereof, nor any other person is authorized by the Fund to give any information or to make any representations, other than those contained in the registration statement or related prospectus and statement of additional information and any sales literature specifically approved by the Fund.

(c) The Distributor shall adopt and follow procedures, as approved by the officers of the Fund, for the confirmation of sales to investors and selected dealers, the collection of amounts payable by investors and selected dealers on such sales, and the cancellation of unsettled transactions, as may be necessary to comply with the requirements of the National Association of Securities Dealers, Inc. (the "NASD"), as such requirements may from time to time exist.

Section 7. Selected Dealers Agreements.  
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(a) The Distributor shall have the right to enter into selected dealers agreements with securities dealers of its choice ("selected dealers") for the sale of Class A shares and fix therein the portion of the sales charge which may be allocated to the selected dealers; provided that the Fund shall approve the

forms of agreements with dealers and the dealer compensation set forth therein. Class A shares sold to selected dealers shall be for resale by such dealers only at the public offering price(s) set forth in the prospectus and statement of additional information. The form of agreement with selected dealers to be used during the subscription period described in Section 3(a) is attached hereto as Exhibit A, and the initial form of agreement with selected dealers to be used in the continuous offering of the Class A shares is attached hereto as Exhibit B.

(b) Within the United States, the Distributor shall offer and sell Class A shares only to such selected dealers as are members in good standing of the NASD.

Section 8. Payment of Expenses.  
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(a) The Fund shall bear all costs and expenses of the Fund, including fees and disbursements of its counsel and auditors, in connection with the preparation and filing of any required registration statements and/or prospectuses and statements of additional information under the Investment Company Act, the Securities Act, and all amendments and supplements thereto, and preparing and mailing annual and interim reports and proxy materials to Class A shareholders (including but not limited to the expense of setting in type any such registration statements, prospectuses, statements of additional information, annual or

interim reports or proxy materials).

(b) The Distributor shall be responsible for any payments made to selected dealers as reimbursement for their expenses

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associated with payments of sales commissions to financial consultants. In addition, after the prospectuses, statements of additional information and annual and interim reports have been prepared and set in type, the Distributor shall bear the costs and expenses of printing and distributing any copies thereof which are to be used in connection with the offering of Class A shares to selected dealers or investors pursuant to this Agreement. The Distributor shall bear the costs and expenses of preparing, printing and distributing any other literature used by the Distributor or furnished by it for use by selected dealers in connection with the offering of the Class A shares for sale to the public and any expenses of advertising incurred by the Distributor in connection with such offering. It is understood and agreed that so long as the Fund's Class A Shares Distribution Plan pursuant to Rule 12b-1 under the Investment Company Act

remains in effect, any expenses incurred by the Distributor hereunder in connection with account maintenance activities may be paid from amounts recovered by it from the Fund under such plan.

(c) The Fund shall bear the cost and expenses of qualification of the Class A shares for sale pursuant to this Agreement and, if necessary or advisable in connection therewith, of qualifying the Fund as a broker or dealer in such states of the United States or other jurisdictions as shall be selected by the Fund and the Distributor pursuant to Section 5(c) hereof and the cost and expenses payable to each such state for continuing

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qualification therein until the Fund decides to discontinue such qualification pursuant to Section 5(c) hereof.

Section 9. Indemnification.  
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(a) The Fund shall indemnify and hold harmless the Distributor and each person, if any, who controls the Distributor against any loss, liability, claim, damage or expense (including the reasonable cost of investigating or defending any alleged

loss, liability, claim, damage or expense and reasonable counsel fees incurred in connection therewith), as incurred, arising by reason of any person acquiring any Class A shares, which may be based upon the Securities Act, or on any other statute or at common law, on the ground that the registration statement or related prospectus and statement of additional information, as from time to time amended and supplemented, or an annual or interim report to shareholders of the Fund, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading, unless such statement or omission was made in reliance upon, and in conformity with, information furnished to the Fund in connection therewith by or on behalf of the Distributor; provided, however, that in no case (i) is the indemnity of the Fund in favor of the Distributor and any such controlling persons to be deemed to protect such Distributor or any such controlling persons thereof against any liability to the Fund or its security holders to which the Distributor or any such controlling persons would otherwise be subject by reason of

willful misfeasance, bad faith or gross negligence in the performance of their duties or by reason of the reckless disregard of their obligations and duties under this Agreement; or (ii) is the Fund to be liable under its indemnity agreement contained in this paragraph with respect to any claim made against the Distributor or any such controlling persons, unless the Distributor or such controlling persons, as the case may be, shall have notified the Fund in writing within a reasonable time after the summons or other first legal process giving information of the nature of the claim shall have been served upon the Distributor or such controlling persons (or after the Distributor or such controlling persons shall have received notice of such service on any designated agent), but failure to notify the Fund of any such claim shall not relieve it from any liability which it may have to the person against whom such action is brought otherwise than on account of its indemnity agreement contained in this paragraph. The Fund will be entitled to participate at its own expense in the defense or, if it so elects, to assume the defense of any suit brought to enforce any such liability, but if the Fund elects to assume the defense, such defense shall be conducted by counsel chosen by it and satisfactory to the Distributor or such controlling person or persons, defendant or defendants in the suit. In the event the Fund elects to assume the defense of any such suit and retain such counsel, the Distributor or such controlling person or persons, defendant or

defendants in the suit shall bear the fees and expenses of any

additional counsel retained by them, but in case the Fund does not elect to assume the defense of any such suit, it will reimburse the Distributor or such controlling person or persons, defendant or defendants in the suit, for the reasonable fees and expenses of any counsel retained by them. The Fund shall promptly notify the Distributor of the commencement of any litigation or proceedings against it or any of its officers or Trustees in connection with the issuance or sale of any of the Class A shares.

(b) The Distributor shall indemnify and hold harmless the Fund and each of its Trustees and officers and each person, if any, who controls the Fund against any loss, liability, claim, damage or expense described in the foregoing indemnity contained in subsection (a) of this Section, but only with respect to statements or omissions made in reliance upon, and in conformity with, information furnished to the Fund in writing by or on behalf of the Distributor for use in connection with the



registration statement or related prospectus and statement of additional information, as from time to time amended, or the annual or interim reports to Class A shareholders. In case any action shall be brought against the Fund or any person so indemnified, in respect of which indemnity may be sought against the Distributor, the Distributor shall have the rights and duties given to the Fund, and the Fund and each person so indemnified shall have the rights and duties given to the Distributor by the provisions of subsection (a) of this Section 9.

Section 10. Duration and Termination of this Agreement.  
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This Agreement shall become effective as of the date first above written and shall remain in force until June 17, 1995 and thereafter, but only for so long as such continuance is specifically approved at least annually by (i) the Trustees or by the vote of a majority of the outstanding voting securities of the Fund and (ii) by the vote of a majority of those Trustees who are not parties to this Agreement or interested persons of any such party

cast in person at a meeting called for the purpose of voting on such approval.

This Agreement may be terminated at any time, without the payment of any penalty, by the Trustees or by vote of a majority of the outstanding voting securities of the Fund, or by the Distributor, on sixty days' written notice to the other party. This Agreement shall automatically terminate in the event of its assignment.

The terms "vote of a majority of the outstanding voting securities," "assignment," "affiliated person" and "interested person," when used in this Agreement, shall have the respective meanings specified in the Investment Company Act.

Section 11. Amendments of this Agreement. This Agreement  
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may be amended by the parties only if such amendment is specifically approved by (i) the Trustees or by the vote of a majority of outstanding voting securities of the Fund and (ii) by the vote of a majority of those Trustees of the Fund who are not parties to this Agreement or interested persons of any such party cast in

person at a meeting called for the purpose of voting on such approval.

Section 12. Governing Law. The provisions of this  
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Agreement shall be construed and interpreted in accordance with the laws of the State of New York as at the time in effect and the applicable provisions of the Investment Company Act. To the extent that the applicable law of the State of New York, or any of the provisions herein, conflict with the applicable provisions of the Investment Company Act, the latter shall control.

Section 13. Personal Liability. The Declaration of Trust  
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establishing the Fund, dated January 3, 1992, a copy of which, together with all amendments thereto (the "Declaration"), is on file in the office of the Secretary of the Commonwealth of Massachusetts, provides that the name "Merrill Lynch International Equity Fund" refers to the Trustees under the Declaration collectively as trustees, but not as individuals or personally; and no Trustee, shareholder, officer, employee or agent of the Fund shall be held to any personal liability, nor shall resort be had to their private property for the satisfaction of any obligation or claim or otherwise in connection with the affairs of the Fund, but the "Trust Property" only shall be liable.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

MERRILL LYNCH INTERNATIONAL EQUITY FUND

By /s/ Norman R. Harvey

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Title: Senior Vice President

MERRILL LYNCH FUNDS DISTRIBUTOR, INC.

By /s/ Gerald M. Richard

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Title: Treasurer

EXHIBIT A

MERRILL LYNCH INTERNATIONAL EQUITY FUND

CLASS A SHARES OF BENEFICIAL INTEREST

SELECTED DEALER AGREEMENT  
FOR SUBSCRIPTION PERIOD

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Gentlemen:

Merrill Lynch Funds Distributor, Inc. (the "Distributor")

has an agreement with Merrill Lynch International Equity Fund, a Massachusetts business trust (the "Fund"), pursuant to which it acts as the distributor for the sale of Class A shares of beneficial interest, par value \$0.10 per share (herein referred to as "Class A shares"), of the Fund and as such has the right to distribute Class A shares of the Fund for resale. The Fund is an open-end investment company registered under the Investment Company Act of 1940, as amended, and its Class A shares being offered to the public are registered under the Securities Act of 1933, as amended. Such Class A shares and certain of the terms on which they are being offered are more fully described in the enclosed Prospectus and Statement of Additional Information. You have received a copy of the Class A Shares Distribution Agreement (the "Distribution Agreement") between ourself and the Fund and reference is made herein to certain provisions of such Distribution Agreement. This Agreement relates solely to the subscription period described in Section 3(a) of such Distribution Agreement. Subject to the foregoing, as principal, we offer to sell to you, as a member of the Selected Dealers Group, Class A shares of the Fund upon the following terms and conditions:

1. The subscription period referred to in Section 3(a) of the Distribution Agreement will continue through \_\_\_\_\_, 1993. The subscription period may be extended upon agreement between the Fund and the Distributor. Subject to the provisions of such Section and the conditions contained herein, we will sell to you on the fifth business day following the termination of the subscription period, or such other date as we may advise (the "Closing Date"), such number of Class A shares as to which you have placed orders with us not later than 5:00 p.m., New York time, on the second full business day preceding the Closing Date.

2. In all sales of these Class A shares to the public you shall act as dealer for your own account, and in no transaction shall you have any authority to act as agent for the Fund, for us or for any other member of the Selected Dealers Group.

3. The public offering prices, sales charges and the related Selected Dealers' concessions are as follows:

Amount of Purchase	Public Offering Price	Sales Charge		Selected Dealer Concessions	
		Dollar Amount	Percentage* of Public Offering Price	Dollar Amount	Percentage* of Public Offering Price
Less than \$10,000...	\$10.695	\$.695	6.50%	\$.695	6.50%
\$10,000 but less than \$25,000.....	\$10.638	\$.638	6.00%	\$.638	6.00%
\$25,000 but less than \$50,000.....	\$10.526	\$.526	5.00%	\$.526	5.00
\$50,000 but less than \$100,000.....	\$10.417	\$.417	4.00%	\$.417	4.00%
\$100,000 but less than \$250,000.....	\$10.309	\$.309	3.00%	\$.309	3.00%
\$250,000 but less than \$1,000,000.....	\$10.204	\$.204	2.00%	\$.204	2.00%
\$1,000,000 and over...**	\$10.076	\$.076	0.75%	\$.076	0.75%

\* Rounded to the nearest one-hundredth percent.

\*\* Initial sales charges will be waived for shareholders purchasing \$1 million or more Class A shares of the Fund in a single transaction (other than a tax qualified retirement plan under Section 401 of the Internal Revenue Code of 1986, as amended (the "Code"), or a deferred compensation plan under Section 403(b) and Section 457 of the Code). Such purchases will be subject to a contingent deferred sales charge if the shares are redeemed within one year after purchase at the following rates:

Amount of Purchase	Contingent Deferred Sales Charge as a Percentage of Dollar Amount of Purchase
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\$1 million up to \$2.5 million . . . . .	1.00%
Over \$2.5 million up to \$3.5 million . . . . .	0.60
Over \$3.5 million up to \$5 million . . . . .	0.40
Over \$5 million . . . . .	0.25

The proceeds per Class A share to the Fund from the sale of all shares sold during the subscription period will be \$10.00.

The term "purchase" refers to a single purchase by an individual, or to concurrent purchases, which in the aggregate are at least equal to the prescribed amounts, by an individual, his spouse and their children under the age of 21 years purchasing shares for his or their own account and to single purchases by a trustee or other fiduciary purchasing shares for a single trust estate or single fiduciary account although more than one beneficiary is involved. The term "purchase" also includes purchases by any "company" as that term is defined in the Investment Company Act of 1940, as amended, but does not include purchases by any such company which has not been in existence for at least six months or which has no purpose other than the purchase of shares of the Fund or shares of the registered investment companies at a discount; provided, however, that it shall not include purchases by any group of individuals whose sole organizational nexus is that the participants therein are credit cardholders of a company, policyholders of an insurance company, customers of either a bank or broker-dealer or clients of an investment adviser.

The reduced sales charges are applicable through a right of accumulation under which eligible investors are permitted to purchase Class A shares of the Fund at the offering price applicable to the total of (a) the dollar amount then being purchased plus (b) an amount equal to the then current net asset value or cost, whichever is higher, of the purchaser's combined holdings of the Class A and Class B shares of the Fund and of any other



investment company with an initial sales charge or deferred sales charge for which the Distributor acts as the distributor. For any such right of accumulation to be made available, the Distributor must be provided at the time of purchase, by the purchaser or you, with sufficient information to permit confirmation of qualification, and acceptance of the purchase order is subject to such confirmation.

The reduced sales charges are applicable to purchases aggregating \$10,000 or more of Class A shares or any other investment company with an initial sales charge or deferred sales charge for which the Distributor acts as the distributor made through you within a thirteen-month period starting with the first purchase pursuant to a Letter of Intention in the form provided in the Prospectus. A purchase not originally made pursuant to a Letter of Intention may be included under a subsequent letter executed within 90 days of such purchase if the Distributor is informed in writing of this intent within such 90-day period. If the intended amount of shares is not purchased within the thirteen-month period, an appropriate price adjustment will be made pursuant to the terms of the Letter of Intention.

You agree to advise us promptly at your request as to amounts of any sales made by you to the public qualifying for reduced sales charges. Further information as to the reduced sales charges pursuant to the right of accumulation or a Letter of Intention is set forth in the Prospectus.

4. You shall not place orders for any of the Class A shares unless you have already received purchase orders for such shares at the applicable public offering prices and subject to the terms hereof and of the Distribution Agreement. All orders are subject

to acceptance by the Distributor or the Fund in the sole discretion of either. The minimum initial and subsequent purchase requirements are as set forth in the Prospectus, as amended from time to time. You agree that you will not offer or sell any of the Class A shares except under circumstances that will result in compliance with the applicable Federal and state securities laws and that in connection with sales and offers to sell Class A shares you will furnish to each person to whom any such sale or offer is made a copy of the Prospectus and, if requested, the Statement of Additional Information (as then amended or supplemented) and will not furnish to any person any information relating to the Class A shares of the Fund which is inconsistent in any respect with the information contained in the Prospectus and Statement of Additional Information (as then amended or supplemented) or cause any advertisement to be published in any newspaper or posted in any public place without our consent and the consent of the Fund.

5. All Class A shares purchased by Selected Dealers will be delivered in the first instance at a settlement price computed on the basis of all sales having been made in a purchase (as such term is defined above) involving a public offering price of less than \$10,000. All sales to you will be deemed to have been made in such a transaction unless within 30 days after the Closing Date you furnish to us, on forms supplied by us for the purpose, a statement acceptable to us setting forth sales in purchases involving a public offering price of \$10,000 or more, in which case we will compute such Selected Dealers' concessions on the basis of the information set forth in such statement.

6. Payment for Class A shares purchased by you is to be made by certified or official bank check at the office of Merrill Lynch Funds Distributor, Inc., Box 9011, Princeton, New Jersey 08543-9011, on such date as we may advise, in New York Clearing House funds, or by federal funds transfer, payable to the order of Merrill Lynch Funds Distributor, Inc. against delivery by us of non-negotiable share deposit receipts ("Receipts") issued by Merrill Lynch Financial Data Service, Inc., as shareholder servicing agent, acknowledging the deposit with it of the Class A shares so purchased by you. You agree that as promptly as practicable after the delivery of such Class A shares you will issue appropriate written transfer instructions to the Fund or to

the shareholder servicing agent as to the purchasers to whom you sold the Class A shares.

7. If any Class A shares sold to you under the terms of this Agreement are repurchased by the Fund or by us for the account of the Fund or are tendered for redemption within seven business days after the Closing Date, it is agreed that you shall forfeit your right to, and refund to us, any discount received by you on such Class A shares.

8. No person is authorized to make any representations concerning Class A shares of the Fund except those contained in the current Prospectus and Statement of Additional Information of the Fund and in such printed information subsequently issued by us or the Fund as information supplemental to such Prospectus and Statement of Additional Information. In purchasing Class A shares through us you shall rely solely on the representations contained in the Prospectus and Statement of Additional Information and supplemental information above mentioned. Any printed information which we furnish you other than the Fund's Prospectus and Statement of Additional Information, periodic reports and proxy solicitation material is our sole responsibility and not the responsibility of the Fund, and you agree that the Fund shall have no liability or responsibility to you in these respects unless expressly assumed in connection therewith.

9. You agree to deliver to each of the purchasers making purchases from you a copy of the then current Prospectus and, if requested, the Statement of Additional Information at or prior to the time of offering or sale and you agree thereafter to deliver to such purchasers copies of the annual and interim reports and proxy solicitation materials of the Fund. You further agree to endeavor to obtain Proxies from such purchasers. Additional copies of the Prospectus and Statement of Additional Information, annual or interim reports and proxy solicitation materials of the Fund will be supplied to you in reasonable quantities upon request.

10. We reserve the right in our discretion, without notice, to suspend sales or withdraw the offering of Class A shares entirely. Each party hereto has the right to cancel this Agreement upon notice to the other party.

11. We shall have full authority to take such action as we may deem advisable in respect of all matters pertaining to the continuous offering. We shall be under no liability to you ex-

cept for lack of good faith and for obligations expressly assumed by us herein. Nothing contained in this paragraph is intended to operate as, and the provisions of this paragraph shall not in any way whatsoever constitute, a waiver by you of compliance with any provision of the Securities Act of 1933, as amended, or of the

rules and regulations of the Securities and Exchange Commission issued thereunder.

12. You represent that you are a member of the National Association of Securities Dealers, Inc. and, with respect to any sales in the United States, we both hereby agree to abide by the Rules of Fair Practice of such Association.

13. Upon application to us, we will inform you as to the states in which we believe the Class A shares have been qualified for sale under, or are exempt from the requirements of, the respective securities laws of such states, but we assume no responsibility or obligation as to your right to sell shares in any jurisdiction. We will file with the Department of State in New York a Further State Notice with respect to the shares, if necessary.

14. All communications to us should be sent to the address below. Any notice to you shall be duly given if mailed or telegraphed to you at the address specified by you below.

15. You agree that you will not sell any Class A shares of the Fund to any account over which you exercise discretionary authority.

16. This Agreement shall terminate at the close of business on the Closing Date, unless earlier terminated, provided, however, this Agreement shall continue after termination for the purpose of Section 7 hereof and for the purpose of settlement of accounts hereunder.

MERRILL LYNCH FUNDS DISTRIBUTOR, INC.

By /s/ Gerald M. Richard

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(Authorized Signature)

Please return one signed copy  
of this Agreement to:

MERRILL LYNCH FUNDS DISTRIBUTOR, INC.  
Box 9011  
Princeton, New Jersey 08543-9011

Accepted:

Firm Name: Merrill Lynch, Pierce, Fenner & Smith Inc.  
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By: /s/ David C. Conine  
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Address: 800 Scudders Mill Road  
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Plainsboro, New Jersey 08536  
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Date: June 17, 1993  
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MERRILL LYNCH INTERNATIONAL EQUITY FUND

CLASS A SHARES OF BENEFICIAL INTEREST

SELECTED DEALERS AGREEMENT

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Gentlemen:

Merrill Lynch Funds Distributor, Inc. (the "Distributor") has an agreement with Merrill Lynch International Equity Fund, a Massachusetts business trust (the "Fund"), pursuant to which it acts as the distributor for the sale of Class A shares of beneficial interest, par value \$0.10 per share (herein referred to as "Class A shares"), of the Fund and as such has the right to distribute Class A shares of the Fund for resale. The Fund is an open-end investment company registered under the Investment Company Act of 1940, as amended, and its Class A shares being offered to the public are registered under the Securities Act of 1933, as amended. You have received a copy of the Class A Shares Distribution Agreement (the "Distribution Agreement") between ourself and the Fund and reference is made herein to certain provisions of such Distribution Agreement. The terms "Prospectus" and "Statement of Additional Information" used herein refer to the prospectus and statement of additional information, respectively, on file with the Securities and Exchange Commission which is part of the most recent effective registration statement pursuant to the Securities Act of 1933, as amended. As principal, we offer to sell to you, as a member of the Selected Dealers Group, Class A shares of the Fund upon the following terms and conditions:

1. In all sales of these Class A shares to the public, you shall act as dealer for your own account and in no transaction shall you have any authority to act as agent for the Fund, for us or for any other member of the Selected Dealers Group.

2. Orders received from you will be accepted through us only at the public offering price applicable to each order, as set forth in the current Prospectus and Statement of Additional Infor-

mation of the Fund. The procedure relating to the handling of orders shall be subject to Section 5 hereof and instructions which we or the Fund shall forward from time to time to you. All orders are subject to acceptance or rejection by the Distributor or the Fund in the sole discretion of either. The minimum initial and subsequent purchase requirements are as set forth in the current Prospectus and Statement of Additional Information of the Fund.

3. The sales charges for sales to the public, computed as percentages of the public offering price and the amount invested, and the related discount to Selected Dealers are as follows:

Amount of Purchase -----	Sales Charge as Percentage of the Offering Price -----	Sales Charge as Percentage* of the Net Amount Invested -----	Discount to Selected Dealers as Percentage of the Offering Price -----
Less than \$10,000....	6.50%	6.95%	6.25%
\$10,000 but less than \$25,000.....	6.00%	6.38%	5.75%
\$25,000 but less than \$50,000.....	5.00%	5.26%	4.75%
\$50,000 but less than \$100,000.....	4.00%	4.17%	3.75%
\$100,000 but less than \$250,000.....	3.00%	3.09%	2.75%



\$250,000 but less than \$1,000,000..	2.00%	2.04%	1.80%
\$1,000,000 and over**..	0.75%	0.76%	0.65%

\* Rounded to the nearest one-hundredth percent.

\*\* Initial sales charges will be waived for shareholders purchasing \$1 million or more Class A shares of the Fund in a single transaction (other than a tax qualified retirement plan under Section 401 of the Internal Revenue Code of 1986, as amended (the "Code"), or a deferred compensation plan under Section 403(b) and Section 457 of the Code). Such purchases will be subject to a contingent deferred sales charge if the shares are redeemed within one year after purchase at the following rates:

Amount of Purchase - - - - -	Contingent Deferred Sales Charge as a Percentage of Dollar Amount of Purchase -----
\$1 million up to \$2.5 million . . . . .	1.00%
Over \$2.5 million up to \$3.5 million . . . . .	0.60
Over \$3.5 million up to \$5 million . . . . .	0.40
Over \$5 million . . . . .	0.25

The term "purchase" refers to a single purchase by an individual, or to concurrent purchases, which in the aggregate are at least

equal to the prescribed amounts, by an individual, his spouse and their children under the age of 21 years purchasing Class A shares for his or their own account and to single purchases by a trustee or other fiduciary purchasing Class A shares for a single trust estate or single fiduciary

account although more than one beneficiary is involved. The term "purchase" also includes purchases by any "company" as that term is defined in the Investment Company Act of 1940, as amended, but does not include purchases by any such company which has not been in existence for at least six months or which has no purpose other than the purchase of Class A shares of the Fund or Class A shares of other registered investment companies at a discount; provided, however, that it shall not include purchases by any group of individuals whose sole organizational nexus is that the participants therein are credit cardholders of a company, policyholders of an insurance company, customers of either a bank or broker-dealer or clients of an investment adviser.

The reduced sales charges are applicable through a right of accumulation under which eligible investors are permitted to purchase Class A shares of the Fund at the offering price applicable to the total of (a) the dollar amount then being purchased plus (b) an amount equal to the then current net asset value or cost, whichever is higher, of the purchaser's combined holdings of the Class A and Class B shares of the Fund and of any other investment company with an initial sales charge or deferred sales charge for which the Distributor acts as the distributor. For any such right of accumulation to be made available, the Distributor must be provided at the time of purchase, by the purchaser or you, with sufficient information to permit confirmation of qualification, and acceptance of the purchase order is subject to such confirmation.

The reduced sales charges are applicable to purchases aggregating \$10,000 or more of Class A shares or of shares of any other investment company with an initial sales charge or deferred sales charge for which the Distributor acts as the distributor made through you within a thirteen-month period starting with the first purchase pursuant to a Letter of Intention in the form provided in the Prospectus. A purchase not originally made pursuant to a Letter of Intention may be included under a subsequent letter executed within 90 days of such purchase if the Distributor is informed in writing of this intent within such 90-day period. If the intended amount of shares is not purchased within the thirteen-month period, an appropriate price adjustment will be made pursuant to the terms of the Letter of Intention.

You agree to advise us promptly at our request as to amounts of any sales made by you to the public qualifying for reduced sales charges. Further information as to the reduced sales charges pursuant to the right of accumulation or a Letter of Intention is set forth in the Prospectus and Statement of Additional Information.

4. You shall not place orders for any of the Class A shares unless you have already received purchase orders for such Class A shares at

the applicable public offering prices and subject to the terms hereof and of the Distribution Agreement. You agree that you will not offer or sell any of the Class A shares except under circumstances that will result in compliance with the applicable Federal and state securities laws and that in connection with sales and offers to sell Class A shares you will furnish to each person to whom any such sale or offer is made a copy of the Prospectus and, if requested, the Statement of Additional Information (as then amended or supplemented) and will not furnish to any person any information relating to the Class A shares of the Fund which is inconsistent in any respect with the information contained in the Prospectus and Statement of Additional Information (as then amended or supplemented) or cause any advertisement to be published in any newspaper or posted in any public place without our consent and the consent of the Fund.

5. As a selected dealer, you are hereby authorized (i) to place orders directly with the Fund for Class A shares of the Fund to be resold by us to you subject to the applicable terms and conditions governing the placement of orders by us set forth in Section 3 of the Distribution Agreement and subject to the compensation provisions of Section 3 hereof and (ii) to tender Class A shares directly to the Fund or its agent for redemption subject to the applicable terms and conditions set forth in Section 4 of the Distribution Agreement.

6. You shall not withhold placing orders received from your customers so as to profit yourself as a result of such withholding: e.g.,  
- -  
by a change in the "net asset value" from that used in determining the offering price to your customers.

7. If any Class A shares sold to you under the terms of this Agreement are repurchased by the Fund or by us for the account of the Fund or are tendered for redemption within seven business days after the date of the confirmation of the original purchase by you, it is agreed that you shall forfeit your right to, and refund to us, any discount received by you on such Class A shares.

8. No person is authorized to make any representations concerning Class A shares of the Fund except those contained in the current Prospectus and Statement of Additional Information of the Fund and in such

printed information subsequently issued by us or the Fund as information supplemental to such Prospectus and Statement of Additional Information. In purchasing Class A shares through us you shall rely solely on the representations obtained in the Prospectus and Statement of Additional Information and supplemental information above mentioned. Any printed information which we furnish you other than the Fund's Prospectus, Statement of Additional Information, periodic reports and proxy solicitation material is our sole responsibility and not the responsibility of the Fund, and you agree that the Fund shall have no liability or responsibility to you in these respects unless expressly assumed in connection therewith.

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9. You agree to deliver to each of the purchasers making purchases from you a copy of the then current Prospectus and, if requested, the Statement of Additional Information at or prior to the time of offering or sale and you agree thereafter to deliver to such purchasers copies of the annual and interim reports and proxy solicitation materials of the Fund. You further agree to endeavor to obtain proxies from such purchasers. Additional copies of the Prospectus and Statement of Additional Information, annual or interim reports and proxy solicitation materials of the Fund will be supplied to you in reasonable quantities upon request.

10. We reserve the right in our discretion, without notice, to suspend sales or withdraw the offering of Class A shares entirely. Each party hereto has the right to cancel this agreement upon notice to the other party.

11. We shall have full authority to take such action as we may deem advisable in respect of all matters pertaining to the continuous offering. We shall be under no liability to you except for lack of good faith and for obligations expressly assumed by us herein. Nothing contained in this paragraph is intended to operate as, and the provisions of this paragraph shall not in any way whatsoever constitute, a waiver by you of compliance with any provision of the Securities Act of 1933, as

amended, or of the rules and regulations of the Securities and Exchange Commission issued thereunder.

12. You represent that you are a member of the National Association of Securities Dealers, Inc. and, with respect to any sales in the United States, we both hereby agree to abide by the Rules of Fair Practice of such Association.

13. Upon application to us, we will inform you as to the states in which we believe the Class A shares have been qualified for sale under, or are exempt from the requirements of, the respective securities laws of such states, but we assume no responsibility or obligation as to your right to sell Class A shares in any jurisdiction. We will file with the Department of State in New York a Further State Notice with respect to the Class A shares, if necessary.

14. All communications to us should be sent to the address below. Any notice to you shall be duly given if mailed or telegraphed to you at the address specified by you below.

15. Your first order placed pursuant to this Agreement for the purchase of Class A shares of the Fund will represent your acceptance of this Agreement.

MERRILL LYNCH FUNDS DISTRIBUTOR, INC.

By /s/ Gerald M. Richard

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(Authorized Signature)

Please return one signed copy  
of this agreement to:

MERRILL LYNCH FUNDS DISTRIBUTOR, INC.  
Box 9011  
Princeton, New Jersey 08543-9011

Accepted:

Firm Name: Merrill Lynch, Pierce, Fenner & Smith Inc.  
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By: /s/ David C. Conine  
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Address: 800 Scudders Mill Road  
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Plainsboro, New Jersey 08536  
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Date: June 17, 1993  
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CLASS B SHARES  
DISTRIBUTION AGREEMENT

AGREEMENT made as of the 17th day of June 1993, between MERRILL LYNCH INTERNATIONAL EQUITY FUND, a Massachusetts business trust (the "Fund"), and MERRILL LYNCH FUNDS DISTRIBUTOR, INC., a Delaware corporation (the "Distributor").

W I T N E S S E T H :  
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WHEREAS, the Fund is registered under the Investment Company Act of 1940, as amended (the "Investment Company Act"), as an open-end investment company, and it is affirmatively in the interest of the Fund to offer its shares for sale continuously; and

WHEREAS, the Distributor is a securities firm engaged in the business of selling shares of investment companies either directly to purchasers or through other securities dealers; and

WHEREAS, the Fund and the Distributor wish to enter into an agreement with each other with respect to the continuous offering of the Fund's Class B shares in order to promote the growth of the Fund and facilitate the distribution of its Class B shares.

NOW, THEREFORE, the parties agree as follows:

Section 1. Appointment of the Distributor. The Fund hereby  
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appoints the Distributor as the principal underwriter and distributor of the Fund to sell Class B shares of beneficial interest in the Fund (sometimes herein referred to as "Class B shares") to the public and hereby agrees during the term of this

Agreement to sell shares of the Fund to the Distributor upon the terms and conditions herein set forth.

Section 2. Exclusive Nature of Duties. The Distributor  
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shall be the exclusive representative of the Fund to act as principal underwriter and distributor of the Class B shares, except that:

(a) The Fund may, upon written notice to the Distributor, from time to time designate other principal underwriters and distributors of Class B shares with respect to areas other than the United States as to which the Distributor may have expressly waived in writing its right to act as such. If such designation



is deemed exclusive, the right of the Distributor under this Agreement to sell Class B shares in the areas so designated shall terminate, but this Agreement shall remain otherwise in full effect until terminated in accordance with the other provisions hereof.

(b) The exclusive right granted to the Distributor to purchase Class B shares from the Fund shall not apply to Class B shares of the Fund issued in connection with the merger or consolidation of any other investment company or personal holding company with the Fund or the acquisition by purchase or otherwise of all (or substantially all) the assets or the outstanding Class B shares of any such company by the Fund.

(c) Such exclusive right also shall not apply to Class B shares issued by the Fund pursuant to reinvestment of dividends or capital gains distributions.

(d) Such exclusive right also shall not apply to Class B shares issued by the Fund pursuant to any reinstatement privilege afforded redeeming shareholders.

Section 3. Purchase of Class B Shares from the Fund.  
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(a) Prior to the continuous offering of the Class B shares, commencing on a date agreed upon by the Fund and the Distributor, it is contemplated that the Distributor will solicit subscriptions for Class B shares during a subscription period which shall last for such period as may be agreed upon by the parties hereto. The subscriptions will be payable within five business days after the termination of the subscription period, at which time the Fund will commence operations.

(b) After the Fund commences operations, the Fund will commence an offering of its Class B shares, and thereafter the Distributor shall have the right to buy from the Fund the Class B shares needed, but not more than the Class B shares needed (except for clerical errors in transmission) to fill unconditional orders for Class B shares of the Fund placed with the Distributor by investors or securities dealers. The price which the Distributor shall pay for the Class B shares so purchased from the Fund shall be the net asset value, determined as set forth in Section 3(d) hereof.

(c) The Class B shares are to be resold by the Distributor to investors at net asset value, as set forth in Section 3(d) hereof, or to securities dealers having agreements with the Distributor upon the terms and conditions set forth in Section 7 hereof.

(d) The net asset value of Class B shares of the Fund shall be determined by the Fund or any agent of the Fund in accordance with the method set forth in the currently effective prospectus and statement of additional information of the Fund (the "prospectus" and "statement of additional information," respectively) under the Securities Act of 1933, as amended (the "Securities Act"), and guidelines established by the Board of Trustees.

(e) The Fund shall have the right to suspend the sale of its Class B shares at times when redemption is suspended pursuant to the conditions set forth in Section 4(b) hereof. The Fund shall also have the right to suspend the sale of its Class B shares if trading on the New York Stock Exchange shall have been suspended, if a banking moratorium shall have been declared by

Federal or New York authorities, or if there shall have been some other event, which, in the judgment of the Fund, makes it impracticable or inadvisable to sell the shares.

(f) The Fund, or any agent of the Fund designated in writing by the Fund, shall be promptly advised of all purchase orders for Class B shares received by the Distributor. Any order

may be rejected by the Fund; provided, however, that the Fund will not arbitrarily or without reasonable cause refuse to accept or confirm orders for the purchase of Class B shares. The Fund (or its agent) will confirm orders upon their receipt, will make appropriate book entries and, upon receipt by the Fund (or its agent) of payment therefor, will deliver deposit receipts or certificates for such Class B shares pursuant to the instructions of the Distributor. Payment shall be made to the Fund in New York Clearing House funds. The Distributor agrees to cause such payment and such instructions to be delivered promptly to the Fund (or its agent).

Section 4. Repurchase or Redemption of Class B Shares by  
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the Fund.  
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(a) Any of the outstanding Class B shares may be tendered for redemption at any time, and the Fund agrees to repurchase or redeem the Class B shares so tendered in accordance with its obligations as set forth in Article VIII of its Declaration of Trust, as amended from time to time, and in accordance with the applicable provisions set forth in the prospectus and statement of additional information of the Fund. The price to be paid to redeem or repurchase the Class B shares shall be equal to the net asset value calculated in accordance with the provisions of Section 3(d) hereof, less the redemption fee or other charge, if any, set forth in the prospectus and statement of additional

information of the Fund. All payments by the Fund hereunder

shall be made in the manner set forth below.

The Fund shall pay the total amount of the redemption price as defined in the above paragraph pursuant to the instructions of the Distributor on or before the seventh business day subsequent to its having received the notice of redemption in proper form. The proceeds of any redemption of shares shall be paid by the Fund as follows: (i) any applicable contingent deferred sales charge shall be paid to the Distributor, and (ii) the balance shall be paid to or for the account of the shareholder, in each case in accordance with the applicable provisions of the prospectus and statement of additional information.

(b) Redemption of Class B shares or payment may be suspended at times when the New York Stock Exchange is closed, when trading on said Exchange is suspended, when trading on said Exchange is restricted, when an emergency exists as a result of which disposal by the Fund of securities owned by it is not reasonably practicable or it is not reasonably practicable for the Fund fairly to determine the value of its net assets, or during any other period when the Securities and Exchange Commission, by order, so permits.

Section 5. Duties of the Fund.  
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(a) The Fund shall furnish to the Distributor copies of all information, financial statements and other papers which the Distributor may reasonably request for use in connection with the

distribution of Class B shares of the Fund, and this shall include, upon request by the Distributor, one certified copy of all financial statements prepared for the Fund by independent public accountants. The Fund shall make available to the Distributor such number of copies of its prospectus and statement of additional information as the Distributor shall reasonably request.

(b) The Fund shall take, from time to time, but subject to any necessary approval of the shareholders, all necessary action to fix the number of authorized shares and such steps as may be necessary to register the same under the Securities Act to the end that there will be available for sale such number of Class B shares as the Distributor reasonably may be expected to sell.

(c) The Fund shall use its best efforts to qualify and maintain the qualification of an appropriate number of its Class B shares for sale under the securities laws of such states as the Distributor and the Fund may approve. Any such qualification may be withheld, terminated or withdrawn by the Fund at any time in its discretion. As provided in Section 8(c) hereof, the expense

of qualification and maintenance of qualification shall be borne by the Fund. The Distributor shall furnish such information and other material relating to its affairs and activities as may be required by the Fund in connection with such qualification.

(d) The Fund will furnish, in reasonable quantities upon request by the Distributor, copies of annual and interim reports of the Fund.

Section 6. Duties of the Distributor.  
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(a) The Distributor shall devote reasonable time and effort to effect sales of Class B shares of the Fund but shall not be obligated to sell any specific number of shares. The services of the Distributor to the Fund hereunder are not to be deemed exclusive and nothing herein contained shall prevent the Distributor from entering into like arrangements with other investment companies so long as the performance of its obligations hereunder is not impaired thereby.



(b) In selling the Class B shares of the Fund, the Distributor shall use its best efforts in all respects duly to conform with the requirements of all Federal and state laws relating to the sale of such securities. Neither the Distributor nor any selected dealer, as defined in Section 7 hereof, nor any other person is authorized by the Fund to give any information or to make any representations, other than those contained in the registration statement or related prospectus and statement of additional information and any sales literature specifically approved by the Fund.

(c) The Distributor shall adopt and follow procedures, as approved by the officers of the Fund, for the confirmation of sales to investors and selected dealers, the collection of amounts payable by investors and selected dealers on such sales, and the cancellation of unsettled transactions, as may be necessary to comply with the requirements of the National Association

of Securities Dealers, Inc. (the "NASD"), as such requirements may from time to time exist.

Section 7. Selected Dealer Agreements.  
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(a) The Distributor shall have the right to enter into selected dealer agreements with securities dealers of its choice ("selected dealers") for the sale of Class B shares; provided, that the Fund shall approve the forms of agreements with dealers. Class B shares sold to selected dealers shall be for resale by such dealers only at net asset value determined as set forth in Section 3(d) hereof. The form of agreement with selected dealers to be used during the subscription period described in Section 3(a) is attached hereto as Exhibit A, and the initial form of agreement with selected dealers to be used in the continuous offering of the shares is attached hereto as Exhibit B.

(b) Within the United States, the Distributor shall offer and sell Class B shares only to such selected dealers that are members in good standing of the NASD.

Section 8. Payment of Expenses.  
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(a) The Fund shall bear all costs and expenses of the Fund, including fees and disbursements of its counsel and auditors, in connection with the preparation and filing of any required registration statements and/or prospectuses and statements of additional information under the Investment Company Act, the Securities Act, and all amendments and supplements thereto, and preparing and mailing annual and interim reports and proxy

materials to Class B shareholders (including but not limited to the expense of setting in type any such registration statements, prospectuses, statements of additional information, annual or interim reports or proxy materials).

(b) The Distributor shall be responsible for any payments made to selected dealers as reimbursement for their expenses associated with payments of sales commissions to financial consultants. In addition, after the prospectuses, statements of additional information and annual and interim reports have been prepared and set in type, the Distributor shall bear the costs and expenses of printing and distributing any copies thereof which are to be used in connection with the offering of Class B shares to selected dealers or investors pursuant to this Agreement. The Distributor shall bear the costs and expenses of preparing, printing and distributing any other literature used by the Distributor or furnished by it for use by selected dealers in

connection with the offering of the Class B shares for sale to the public and any expenses of advertising incurred by the Distributor in connection with such offering. It is understood and agreed that so long as the Fund's Class B Shares Distribution Plan pursuant to Rule 12b-1 under the Investment Company Act remains in effect, any expenses incurred by the Distributor hereunder may be paid from amounts recovered by it from the Fund under such Plan.

(c) The Fund shall bear the cost and expenses of qualification of the Class B shares for sale pursuant to this Agreement and, if necessary or advisable in connection therewith, of qualifying the Fund as a broker or dealer in such states of the United States or other jurisdictions as shall be selected by the Fund and the Distributor pursuant to Section 5(c) hereof and the cost and expenses payable to each such state for continuing qualification therein until the Fund decides to discontinue such

qualification pursuant to Section 5(c) hereof.

Section 9. Indemnification.

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(a) The Fund shall indemnify and hold harmless the Distributor and each person, if any, who controls the Distributor against any loss, liability, claim, damage or expense (including the reasonable cost of investigating or defending any alleged loss, liability, claim, damage or expense and reasonable counsel fees incurred in connection therewith), as incurred, arising by reason of any person acquiring any Class B shares, which may be based upon the Securities Act, or on any other statute or at common law, on the ground that the registration statement or related prospectus and statement of additional information, as from time to time amended and supplemented, or an annual or interim report to Class B shareholders of the Fund, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading, unless such statement or

omission was made in reliance upon, and in conformity with, information furnished to the Fund in connection therewith by or on behalf of the Distributor; provided, however, that in no case (i) is the indemnity of the Fund in favor of the Distributor and any such controlling persons to be deemed to protect such Distributor or any such controlling persons thereof against any liability to the Fund or its security holders to which the Distributor or any such controlling persons would otherwise be subject by reason of willful misfeasance, bad faith or gross negligence in the performance of their duties or by reason of the reckless disregard of their obligations and duties under this Agreement; or (ii) is the Fund to be liable under its indemnity agreement contained in this paragraph with respect to any claim made against the Distributor or any such controlling persons, unless the Distributor or such controlling persons, as the case may be, shall have notified the Fund in writing within a reasonable time after the summons or other first legal process giving information of the nature of the claim shall have been served upon the Distributor or such controlling persons (or after the Distributor or such controlling persons shall have received notice of such service on any designated agent), but failure to notify the Fund of any such claim shall not relieve it from any liability which it may have to the person against whom such action is brought otherwise than on account of its indemnity agreement contained in

this paragraph. The Fund will be entitled to participate at its

own expense in the defense or, if it so elects, to assume the defense of any suit brought to enforce any such liability, but if the Fund elects to assume the defense, such defense shall be conducted by counsel chosen by it and satisfactory to the Distributor or such controlling person or persons, defendant or defendants in the suit. In the event the Fund elects to assume the defense of any such suit and retain such counsel, the Distributor or such controlling person or persons, defendant or defendants in the suit shall bear the fees and expenses, as incurred, of any additional counsel retained by them, but in case the Fund does not elect to assume the defense of any such suit, it will reimburse the Distributor or such controlling person or persons, defendant or defendants in the suit, for the reasonable fees and expenses, as incurred, of any counsel retained by them. The Fund shall promptly notify the Distributor of the commencement of any litigation or proceedings against it or any of its

officers or Trustees in connection with the issuance or sale of any of the Class B shares.

(b) The Distributor shall indemnify and hold harmless the Fund and each of its Trustees and officers and each person, if any, who controls the Fund against any loss, liability, claim, damage or expense, as incurred, described in the foregoing indemnity contained in subsection (a) of this Section, but only with respect to statements or omissions made in reliance upon, and in conformity with, information furnished to the Fund in writing by

or on behalf of the Distributor for use in connection with the registration statement or related prospectus and statement of additional information, as from time to time amended, or the annual or interim reports to shareholders. In case any action shall be brought against the Fund or any person so indemnified, in respect of which indemnity may be sought against the Distributor, the Distributor shall have the rights and duties given to



the Fund, and the Fund and each person so indemnified shall have the rights and duties given to the Distributor by the provisions of subsection (a) of this Section 9.

Section 10. Duration and Termination of this Agreement.  
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This Agreement shall become effective as of the date first above written and shall remain in force until June 17, 1995 and thereafter, but only for so long as such continuance is specifically approved at least annually by (i) the Trustees or by the vote of a majority of the outstanding voting securities of the Fund and (ii) by the vote of a majority of those Trustees who are not parties to this Agreement or interested persons of any such party cast in person at a meeting called for the purpose of voting on such approval.

This Agreement may be terminated at any time, without the payment of any penalty, by the Trustees or by vote of a majority of the outstanding voting securities of the Fund, or by the Distributor, on sixty days' written notice to the other party.

This Agreement shall automatically terminate in the event of its assignment.

The terms "vote of a majority of the outstanding voting securities," "assignment," "affiliated person" and "interested person," when used in this Agreement, shall have the respective meanings specified in the Investment Company Act.

Section 11. Amendments of this Agreement. This Agreement  
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may be amended by the parties only if such amendment is specifically approved by (i) the Trustees or by the vote of a majority of outstanding voting securities of the Fund and (ii) by the vote of a majority of those Trustees of the Fund who are not parties to this Agreement or interested persons of any such party cast in person at a meeting called for the purpose of voting on such approval.

Section 12. Governing Law. The provisions of this Agree-  
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ment shall be construed and interpreted in accordance with the laws of the State of New York as at the time in effect and the applicable provisions of the Investment Company Act. To the extent that the applicable law of the State of New York, or any of the provisions herein, conflict with the applicable provisions of the Investment Company Act, the latter shall control.

Section 13. Personal Liability. The Declaration of Trust  
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establishing the Fund, dated January 3, 1992, a copy of which, together with all amendments thereto (the "Declaration"), is on file in the office of the Secretary of the Commonwealth of

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Massachusetts, provides that the name "Merrill Lynch International Equity Fund" refers to the Trustees under the Declaration collectively as trustees, but not as individuals or personally; and no Trustee, shareholder, officer, employee or agent of the Fund shall be held to any personal liability, nor shall resort be had to their private property for the satisfaction of any obligation or claim or otherwise in connection with the affairs of the Fund, but the "Trust Property" only shall be liable.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

MERRILL LYNCH INTERNATIONAL EQUITY FUND

By /s/ Norman R. Harvey

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Title: Senior Vice President

MERRILL LYNCH FUNDS DISTRIBUTOR, INC.

By /s/ Gerald M. Richard

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Title: Treasurer

EXHIBIT A

MERRILL LYNCH INTERNATIONAL EQUITY FUND

CLASS B SHARES OF BENEFICIAL INTEREST

SELECTED DEALER AGREEMENT

Gentlemen:

Merrill Lynch Funds Distributor, Inc. (the "Distributor") has an agreement with Merrill Lynch International Equity Fund, a Massachusetts business trust (the "Fund"), pursuant to which it acts as the distributor for the sale of Class B shares of beneficial interest, par value \$0.10 per share (herein referred to as "Class B shares"), of the Fund and as such has the right to distribute Class B shares of the Fund for resale. The Fund is an open-end investment company registered under the Investment Company Act of 1940, as amended, and its Class B shares being offered to the public are registered under the Securities Act of 1933, as amended. Such Class B shares and certain of the terms on which they are being offered are more fully described in the enclosed Prospectus and Statement of Additional Information. You have received a copy of the Class B Shares Distribution Agreement (the "Distribution Agreement") between ourself and the Fund and reference is made herein to certain provisions of such Distribution Agreement. This Agreement relates solely to the subscription period described in Section 3(a) of such Distribution Agreement. Subject to the foregoing, as principal, we offer to sell to you, as a member of the Selected Dealers Group, Class B shares of the Fund upon the following terms and conditions:

1. The subscription period referred to in Section 3(a) of the Distribution Agreement will continue through \_\_\_\_\_, 1993. The subscription period may be extended upon agreement between the Fund and the Distributor. Subject to the provisions of such Section and the conditions contained herein, we will sell to you on the fifth business day following the termination of the subscription period, or such other date as we may advise (the "Closing Date"), such number of Class B shares as to which you have placed orders with us not later than 5:00 p.m., New York time, on the second full business day preceding the Closing Date.

2. In all sales of these Class B shares to the public, you shall act as dealer for your own account, and in no transaction shall you have any authority to act as agent for the Fund, for us or for any other member of the Selected Dealers Group.

3. You shall not place orders for any of the Class B shares unless you have already received purchase orders for such Class B shares at the applicable public offering prices and subject to the terms hereof and of the Distribution Agreement. All orders are subject to acceptance by the Distributor or the Fund in the sole discretion of either. The minimum initial and subsequent purchase requirements are as set forth in the Prospectus, as amended from time to time. You agree that you will not offer or sell any of the Class B shares except under circumstances that will result in compliance with the applicable Federal and state securities laws and that in connection with sales and offers to sell Class B shares you will furnish to each person to whom any such sale or offer is made a copy of the Prospectus and, if requested, the Statement of Additional Information (as then amended or supplemented) and will not furnish to any person any information relating to the Class B shares of the Fund which is inconsistent in any respect with the information contained in the Prospectus and Statement of Additional Information (as then amended or supplemented) or cause any advertisement to be published in any newspaper or posted in any public place without our consent and the consent of the Fund.

4. Payment for Class B shares purchased by you is to be made by certified or official bank check at the office of Merrill Lynch Funds Distributor, Inc., Box 9011, Princeton, New Jersey 08543-9011, on such date as we may advise, in New York Clearing House funds, or federal funds transfer, payable to the order of Merrill Lynch Funds Distributor, Inc. against delivery by us of non-negotiable share deposit receipts ("Receipts") issued by Merrill Lynch Financial Data Service, Inc., as shareholder servicing agent, acknowledging the deposit with it of the Class B shares so purchased by you. You agree that as promptly as practicable after the delivery of such Class B shares you will issue appropriate written transfer instructions to the Fund or to the shareholder servicing agent as to the purchasers to whom you sold the Class B shares.

5. No person is authorized to make any representations concerning Class B shares of the Fund except those contained in the current Prospectus and Statement of Additional Information of

the Fund and in such printed information subsequently issued by us or the Fund as information supplemental to such Prospectus and Statement of Additional Information. In purchasing Class B shares through us you shall rely solely on the representations contained in the Prospectus and Statement of Additional Information and supplemental information above mentioned. Any printed information which we furnish you other than the Fund's Prospectus and Statement of Additional Information, periodic reports and proxy solicitation material is our sole responsibility and not the responsibility of the Fund, and you agree that the Fund shall

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have no liability or responsibility to you in these respects unless expressly assumed in connection therewith.

6. You agree to deliver to each of the purchasers making purchases from you a copy of the then current Prospectus and, if requested, the Statement of Additional Information at or prior to the time of offering or sale, and you agree thereafter to deliver to such purchasers copies of the annual and interim reports and proxy solicitation materials of the Fund. You further agree to endeavor to obtain proxies from such purchasers. Additional copies of the Prospectus and Statement of Additional Information, annual or interim reports and proxy solicitation materials of the Fund will be supplied to you in reasonable quantities upon request.

7. We reserve the right in our discretion, without notice, to suspend sales or withdraw the offering of Class B shares entirely. Each party hereto has the right to cancel this Agreement upon notice to the other party.

8. We shall have full authority to take such action as we may deem advisable in respect of all matters pertaining to the continuous offering. We shall be under no liability to you

except for lack of good faith and for obligations expressly assumed by us herein. Nothing contained in this paragraph is intended to operate as, and the provisions of this paragraph shall not in any way whatsoever constitute, a waiver by you of compliance with any provision of the Securities Act of 1933, as amended, or of the rules and regulations of the Securities and Exchange Commission issued thereunder.

9. You represent that you are a member of the National Association of Securities Dealers, Inc. and, with respect to any sales in the United States, we both hereby agree to abide by the Rules of Fair Practice of such Association.

10. Upon application to us, we will inform you as to the states in which we believe the Class B shares have been qualified for sale under, or are exempt from the requirements of, the respective securities laws of such states, but we assume no responsibility or obligation as to your right to sell Class B shares in any jurisdiction. We will file with the Department of State in New York a Further State Notice with respect to the Class B shares, if necessary.

11. All communications to us should be sent to the address below. Any notice to you shall be duly given if mailed or telegraphed to you at the address specified by you below.

12. You agree that you will not sell any Class B shares of the Fund to any account over which you exercise discretionary authority.

13. This Agreement shall terminate at the close of business on the Closing Date, unless earlier terminated, provided, how-



ever, this Agreement shall continue after termination for the purpose of settlement of accounts hereunder.

MERRILL LYNCH FUNDS DISTRIBUTOR, INC.

By /s/ Gerald M. Richard

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(Authorized Signature)

Please return one signed copy of this Agreement to:

MERRILL LYNCH FUNDS DISTRIBUTOR, INC.  
Box 9011  
Princeton, New Jersey 08543-9011

Accepted:

Firm Name: Merrill Lynch, Pierce, Fenner & Smith Inc.  
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By: /s/ David C. Conine  
-----

Address: 800 Scudders Mill Road  
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Plainsboro, New Jersey 08536  
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Date: June 17, 1993  
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EXHIBIT B

## MERRILL LYNCH INTERNATIONAL EQUITY FUND

## CLASS B SHARES OF BENEFICIAL INTEREST

SELECTED DEALER AGREEMENT  
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Gentlemen:

Merrill Lynch Funds Distributor, Inc. (the "Distributor") has an agreement with Merrill Lynch International Equity Fund, a Massachusetts business trust (the "Fund"), pursuant to which it acts as the distributor for the sale of Class B shares of beneficial interest, par value \$0.10 per share (herein referred to as the "Class B shares"), of the Fund and as such has the right to distribute Class B shares of the Fund for resale. The Fund is an open-end investment company registered under the Investment Company Act of 1940, as amended, and its Class B shares being offered to the public are registered under the Securities Act of 1933, as amended. You have received a copy of the Class B Shares Distribution Agreement (the "Distribution Agreement") between ourself and the Fund and reference is made herein to certain provisions of such Distribution Agreement. The terms "Prospectus" and "Statement of Additional Information" as used herein refer to the prospectus and statement of additional information, respectively, on file with the Securities and Exchange Commission which is part of the most recent effective registration statement pursuant to the Securities Act of 1933, as amended. As principal, we offer to sell to you, as a member of the Selected Dealers Group, Class B shares of the Fund upon the following terms and conditions:

1. In all sales of these Class B shares to the public, you shall act as dealer for your own account and in no transaction shall you have any authority to act as agent for the Fund, for us or for any other member of the Selected Dealers Group.

2. Orders received from you will be accepted through us only at the public offering price applicable to each order, as set forth in the current Prospectus and Statement of Additional Information of the Fund. The procedure relating to the handling of orders shall be subject to Section 4 hereof and instructions which we or the Fund shall forward from time to time to you. All orders are subject to acceptance or rejection by the Distributor or the Fund in the sole discretion of either. The minimum initial and subsequent purchase requirements are as set forth in the current Prospectus and Statement of Additional Information of the Fund.

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3. You shall not place orders for any of the Class B shares unless you have already received purchase orders for such Class B shares at the applicable public offering prices and subject to the terms hereof and of the Distribution Agreement. You agree that you will not offer or sell any of the Class B shares except under circumstances that will result in compliance with the applicable Federal and state securities laws and that in connection with sales and offers to sell Class B shares you will furnish to each person to whom any such sale or offer is made a copy of the Prospectus and, if requested, the Statement of Additional Information (as then amended or supplemented) and will not furnish to any person any information relating to the Class B shares of the Fund which is inconsistent in any respect with the information contained in the Prospectus and Statement of Additional Information (as then amended or supplemented) or cause any advertisement to be published in any newspaper or posted in any

public place without our consent and the consent of the Fund.

4. As a selected dealer, you are hereby authorized (i) to place orders directly with the Fund for Class B shares of the Fund to be resold by us to you subject to the applicable terms and conditions governing the placement of orders by us set forth in Section 3 of the Distribution Agreement and (ii) to tender Class B shares directly to the Fund or its agent for redemption subject to the applicable terms and conditions set forth in Section 4 of the Distribution Agreement.

5. You shall not withhold placing orders received from your customers so as to profit yourself as a result of such withholding: e.g., by a change in the "net asset value" from that

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used in determining the offering price to your customers.

6. No person is authorized to make any representations concerning Class B shares of the Fund except those contained in the current Prospectus and Statement of Additional Information of the Fund and in such printed information subsequently issued by us or the Fund as information supplemental to such Prospectus and Statement of Additional Information. In purchasing Class B shares through us you shall rely solely on the representations contained in the Prospectus and Statement of Additional Information and supplemental information above mentioned. Any printed information which we furnish you other than the Fund's Prospectus, Statement of Additional Information, periodic reports and proxy solicitation material is our sole responsibility and not the responsibility of the Fund, and you agree that the Fund shall have no liability or responsibility to you in these respects unless expressly assumed in connection therewith.

7. You agree to deliver to each of the purchasers making purchases from you a copy of the then current Prospectus and, if

requested, the Statement of Additional Information at or prior to the time of offering or sale and you agree thereafter to deliver to such purchasers copies of the annual and interim reports and proxy solicitation materials of the Fund. You further agree to endeavor to obtain proxies from such purchasers. Additional copies of the Prospectus and Statement of Additional Information, annual or interim reports and proxy solicitation materials of the Fund will be supplied to you in reasonable quantities upon request.

8. We reserve the right in our discretion, without notice, to suspend sales or withdraw the offering of Class B shares entirely. Each party hereto has the right to cancel this Agreement upon notice to the other party.

9. We shall have full authority to take such action as we may deem advisable in respect of all matters pertaining to the continuous offering. We shall be under no liability to you except for lack of good faith and for obligations expressly assumed by us herein. Nothing contained in this paragraph is intended to operate as, and the provisions of this paragraph shall not in any way whatsoever constitute, a waiver by you of compliance with any provision of the Securities Act of 1933, as amended, or of the rules and regulations of the Securities and Exchange Commission issued thereunder.

10. You represent that you are a member of the National Association of Securities Dealers, Inc. and, with respect to any sales in the United States, we both hereby agree to abide by the Rules of Fair Practice of such Association.

11. Upon application to us, we will inform you as to the states in which we believe the Class B shares have been qualified for sale under, or are exempt from the requirements of, the respective securities laws of such states, but we assume no responsibility or obligation as to your right to sell Class B shares in any jurisdiction. We will file with the Department of State in New York a Further State Notice with respect to the Class B shares, if necessary.

12. All communications to us should be sent to the address below. Any notice to you shall be duly given if mailed or telegraphed to you at the address specified by you below.

13. Your first order placed pursuant to this Agreement for the purchase of Class B shares of the Fund will represent your acceptance of this Agreement.

MERRILL LYNCH FUNDS DISTRIBUTOR, INC.

By /s/ Gerald M. Richard

-----  
(Authorized Signature)

Please return one signed copy  
of this Agreement to:

MERRILL LYNCH FUNDS DISTRIBUTOR, INC.  
Box 9011  
Princeton, New Jersey 08543-9011

Accepted:

Firm Name: Merrill Lynch, Pierce, Fenner & Smith Inc.  
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By: /s/ David C. Conine  
-----

Address: 800 Scudders Mill Road  
-----

Plainsboro, New Jersey 08536  
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Date: June 17, 1993

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September 15, 1993

Merrill Lynch Funds Distributor, Inc.  
Post Office Box 9011  
Princeton, New Jersey 08543-9011

Each of the undersigned open-end investment companies (the "Funds") has entered into a Distribution Agreement with Merrill Lynch Funds Distributor, Inc. (the "Distributor"). Under the terms of such agreements, the Distributor is authorized to offer shares of each Fund and to purchase, as principal, such number of shares from each of the Funds as are needed to fill unconditional orders for shares of such Fund placed with the Distributor by investors or by securities dealers.



This letter confirms the agreement by each Fund with the Distributor that, in connection with the Merrill Lynch Mutual Fund Adviser program, the Distributor and its affiliate, Merrill Lynch, Pierce, Fenner & Smith Incorporated, are also authorized

to offer and sell shares of such Fund, as agent for the Fund, to participants in such program. This letter further confirms that the terms of the Distribution Agreement between each Fund and the Distributor shall apply to such sales, including terms as to the offering price of shares, the proceeds to be paid to each Fund, the duties of the Distributor, the payment of expenses and indemnification obligations of each Fund and the Distributor.

If the foregoing is consistent with your understanding of our agreement, please sign and return one copy of the enclosed agreement.

Very truly yours,

The Investment Companies listed  
on Schedule A hereto

By: /s/ Terry K. Glenn

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Authorized Signatory

Accepted as of the date  
set forth above

Merrill Lynch Funds Distributor, Inc.

By: /s/ Gerald M. Richard

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Authorized Signatory

The Declaration of Trust establishing each investment  
company listed on Schedule A hereto which has been organized as a  
Massachusetts trust (each, a "Fund"), a copy of which, together

with all amendments thereto, is on file in the office of the Secretary of the Commonwealth of Massachusetts, provides that the name of the Fund refers to the Trustees under the Declaration collectively as Trustees, but not as individuals or personally; and no Trustee, shareholder, officer, employee or agent of the Fund shall be held to any personal liability, nor shall resort be had to their private property for the satisfaction of any obligation or claim or otherwise in connection with the affairs of the Fund, but the Fund estate only shall be liable.

SCHEDULE A

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EQUITY FUNDS:

Merrill Lynch Balanced Fund for Investment and Retirement  
Merrill Lynch Basic Value Fund, Inc.  
Merrill Lynch Capital Fund, Inc.  
Merrill Lynch Developing Capital Markets Fund, Inc.  
Merrill Lynch Dragon Fund, Inc.  
Merrill Lynch EuroFund  
Merrill Lynch Fundamental Growth Fund, Inc.  
Merrill Lynch Fund for Tomorrow, Inc.  
Merrill Lynch Global Allocation Fund, Inc.  
Merrill Lynch Global Utility Fund, Inc.  
Merrill Lynch Growth Fund for Investment and Retirement  
Merrill Lynch Healthcare Fund, Inc.  
Merrill Lynch International Equity Fund  
Merrill Lynch International Holdings, Inc.  
Merrill Lynch Latin America Fund, Inc.  
Merrill Lynch Natural Resources Trust  
Merrill Lynch Pacific Fund, Inc.  
Merrill Lynch Phoenix Fund, Inc.  
Merrill Lynch Special Value Fund, Inc.  
Merrill Lynch Strategic Dividend Fund  
Merrill Lynch Technology Fund, Inc.

FIXED INCOME FUNDS:

Merrill Lynch Adjustable Rate Securities Fund, Inc.  
Merrill Lynch Americas Income Fund, Inc.  
Merrill Lynch Corporate Bond Fund, Inc.  
Merrill Lynch Federal Securities Trust  
Merrill Lynch Global Bond Fund for Investment and Retirement  
Merrill Lynch Global Convertible Fund, Inc.  
Merrill Lynch Short-Term Global Income Fund, Inc.  
Merrill Lynch World Income Fund, Inc.

TAX-EXEMPT FIXED INCOME FUNDS:

Merrill Lynch Arizona Municipal Bond Fund  
Merrill Lynch California Municipal Bond Fund  
Merrill Lynch California Insured Municipal Bond Fund  
Merrill Lynch Florida Municipal Bond Fund  
Merrill Lynch Massachusetts Municipal Bond Fund  
Merrill Lynch Michigan Municipal Bond Fund  
Merrill Lynch Minnesota Municipal Bond Fund  
Merrill Lynch Municipal Bond Fund, Inc.

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Merrill Lynch Municipal Income Fund  
Merrill Lynch New Jersey Municipal Bond Fund  
Merrill Lynch New York Municipal Bond Fund  
Merrill Lynch North Carolina Municipal Bond Fund  
Merrill Lynch Ohio Municipal Bond Fund  
Merrill Lynch Pennsylvania Municipal Bond Fund  
Merrill Lynch Texas Municipal Bond Fund

INSTITUTIONAL MONEY MARKET FUNDS:

Merrill Lynch Institutional Fund  
Merrill Lynch Government Fund  
Merrill Lynch Treasury Fund  
Merrill Lynch Institutional Tax-Exempt Fund



AGREEMENT BETWEEN

BROWN BROTHERS HARRIMAN & CO.

AND

MERRILL LYNCH INTERNATIONAL EQUITY FUND

## CUSTODIAN AGREEMENT

AGREEMENT made this 30 day of July, 1993, between MERRILL LYNCH INTERNATIONAL EQUITY FUND (the "Fund") and Brown Brothers Harriman & Co. (the "Custodian").

WITNESSETH: That in consideration of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

1. The Fund hereby employs and appoints the Custodian as a custodian for the term and subject to the provisions of this Agreement. The Custodian shall not be under any duty or obligation to require the Fund to deliver to it any securities or funds owned by the Fund and shall have no responsibility or



liability for or on account of securities or funds not so delivered. The Fund will deposit with the Custodian copies of the Certificate of Incorporation and By-Laws (or comparable documents) of the Fund and all amendments thereto, and copies of such votes and other proceedings of the Fund as may be necessary for or convenient to the Custodian in the performance of its duties.

2. Except for securities and funds held by subcustodians appointed pursuant to the provisions of Section 3 hereof, the Custodian shall have and perform the following powers and duties:

A. Safekeeping - To keep safely the securities of the Fund  
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that have been delivered to the Custodian and from time to time to receive delivery of securities for safekeeping.

B. Manner of Holding Securities - To hold securities of  
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the Fund (1) by physical possession of the share certificates or other instruments representing such securities in registered or

bearer form, or (2) in book-entry form by a Securities System (as said term is defined in Section 2S).

C. Registered Name; Nominee - To hold registered  
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securities of the Fund (1) in the name or any nominee name of the Custodian or the Fund, or in the name or any nominee name of any agent appointed pursuant to Section 6E, or (2) in street certificate form, so-called, and in any case with or without any indication of fiduciary capacity.

D. Purchases - Upon receipt of Proper Instructions, as  
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defined in Section V on Page 14, insofar as funds are available for the purpose, to pay for and receive securities purchased for the account of the Fund, payment being made only upon receipt of the securities (1) by the Custodian, or (2) by a clearing corporation of a national securities exchange of which the Custodian is a member, or (3) by a Securities System. However, (i) in the case of repurchase agreements entered into by the Fund, the Custodian may release funds to a Securities System or to a Subcustodian prior to the receipt of advice from the Securities System or Subcustodian that the securities underlying such repurchase agreement have been transferred by book entry into the Account (as defined in Section 2S) of the Custodian maintained with such Securities System or Subcustodian, so long

as such payment instructions to Securities System or Subcustodian include a requirement that delivery is only against payment of securities, and (ii) in the case of time deposits, call account deposits, currency deposits, and other deposits, contracts or options pursuant to Sections 2K, 2L and 2M, the Custodian may make payment therefor without receiving an instrument evidencing said deposit so long as such payment instructions detail specific securities to be acquired.

E. Exchanges - Upon receipt of proper instructions, to  
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exchange securities held by it for the account of the Fund for other securities in connection with any reorganization, recapitalization, split-up of shares, change of par value, conversion or other event, and to deposit any such securities in accordance with the terms of any reorganization or protective plan. Without such instructions, the Custodian may surrender securities in temporary form for definitive securities, may surrender securities for transfer into a name or nominee name as permitted in Section 2C, and may surrender securities for a different number of certificates or instruments representing the

same number of shares or same principal amount of indebtedness, provided the securities to be issued are to be delivered to the Custodian and further provided custodian shall at the time of surrendering securities or instruments receive a receipt or other evidence of ownership thereof.

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F. Sales of Securities - Upon receipt of proper  
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instructions, to make delivery of securities which have been sold for the account of the Fund, but only against payment therefor (1) in cash, by a certified check, bank cashier's check, bank credit, or bank wire transfer, or (2) by credit to the account of the Custodian with a clearing corporation of a national securities exchange of which the Custodian is a member, or (3) by credit to the account of the Custodian or an Agent of the Custodian with a Securities System.

G. Depositary Receipts - Upon receipt of proper

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instructions, to instruct a subcustodian appointed pursuant to Section 3 hereof (a "Subcustodian") or an agent of the Custodian appointed pursuant to Section 6E hereof (an "Agent") to surrender securities to the depositary used by an issuer of American Depositary Receipts or International Depositary Receipts (hereinafter collectively referred to as "ADRs") for such securities against a written receipt therefor adequately describing such securities and written evidence satisfactory to the Subcustodian or Agent that the depositary has acknowledged receipt of instructions to issue with respect to such securities ADRs in the name of the Custodian, or a nominee of the Custodian, for delivery to the Custodian in Boston, Massachusetts, or at such other place as the Custodian may from time to time designate.

Upon receipt of proper instructions, to surrender ADRs to

the issuer thereof against a written receipt therefor adequately describing the ADRs surrendered and written evidence satisfactory to the Custodian that the issuer of the ADRs has acknowledged receipt of instructions to cause its depositary to deliver the securities underlying such ADRs to a Subcustodian or an Agent.

H. Exercise of Rights; Tender Offers - Upon timely receipt  
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of proper instructions, to deliver to the issuer or trustee thereof, or to the agent of either, warrants, puts, calls, rights or similar securities for the purpose of being exercised or sold, provided that the new securities and cash, if any, acquired by such action are to be delivered to the Custodian, and, upon receipt of proper instructions, to deposit securities upon invitations for tenders of securities, provided that the consideration is to be paid or delivered or the tendered securities are to be returned to the Custodian.

I. Stock Dividends, Rights, Etc. - To receive and collect  
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all stock dividends, rights and other items of like nature; and to deal with the same pursuant to proper instructions relative thereto.

J. Borrowings - Upon receipt of proper instructions, to  
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deliver securities of the Fund to lenders or their agents as collateral for borrowings effected by the Fund, provided that such borrowed money is payable to or upon the Custodian's order as Custodian for the Fund.

K. Demand Deposit Bank Accounts - To open and operate an  
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account or accounts in the name of the Fund on the Custodian's books subject only to draft or order by the Custodian. All funds received by the Custodian from or for the account of the Fund shall be deposited in said account(s). The responsibilities of the Custodian to the Fund for deposits accepted on the Custodian's books shall be that of a U.S. bank for a similar deposit.

If and when authorized by proper instructions, the Custodian may open and operate an additional account(s) in such other banks or trust companies as may be designated by the Fund in such instructions (any such bank or trust company so designated by the Fund being referred to hereafter as a "Banking Institution"), provided that such account(s) shall be in the name of the Custodian for account of the Fund and subject only to the Custodian's draft or order. Such accounts may be opened with

Banking Institutions in the United States and in other countries and may be denominated in either U.S. Dollars or other currencies as the Fund may determine. All such deposits shall be deemed to be portfolio securities of the Fund and accordingly the responsibility of the Custodian therefore shall be the same as and neither lesser nor greater than the Custodian's responsibility in respect of other portfolio securities of the Fund.

L. Interest Bearing Call or Time Deposits - To place  
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interest bearing fixed term and call deposits with such banks and in such amounts as the Fund may authorize pursuant to proper instructions. Such deposits may be placed with the Custodian or with Subcustodians or other Banking Institutions as the Fund may determine. Deposits may be denominated in U.S. Dollars or other currencies and need not be evidenced by the issuance or delivery



of a certificate to the Custodian, provided that the Custodian shall include in its records with respect to the assets of the Fund, appropriate notation as to the amount and currency of each such deposit, the accepting Banking Institution, and other appropriate details. Such deposits, other than those placed with the Custodian, shall be deemed portfolio securities of the Fund and the responsibilities of the Custodian therefor shall be the same as those for demand deposit bank accounts placed with other banks, as described in Section K of this agreement. The responsibility of the Custodian for such deposits accepted on the Custodian's books shall be that of a U.S. bank for a similar deposit.

M. Foreign Exchange Transactions and Futures Contracts -  
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Pursuant to proper instructions, to enter into foreign exchange contracts or options to purchase and sell foreign currencies for spot and future delivery on behalf and for the account of the Fund. Such transactions may be undertaken by the Custodian with such Banking Institutions, including the Custodian and

Subcustodian(s) as principals, as approved and authorized by the Fund. Foreign exchange contracts and options other than those executed with the Custodian, shall be deemed to be portfolio securities of the Fund and the responsibilities of the Custodian therefor shall be the same as those for demand deposit bank accounts placed with other banks as described in Section 2-K of this agreement. Upon receipt of proper instructions, to receive and retain confirmations evidencing the purchase or sale of a futures contract or an option on a futures contract by the Fund; to deposit and maintain in a segregated account, for the benefit of any futures commission merchant or to pay to such futures commission merchant, assets designated by the fund as initial, maintenance or variation "margin" deposits intended to secure the Fund's performance of its obligations under any futures contracts purchased or sold or any options on futures contracts written by the Fund, in accordance with the provisions of any agreement or agreements among any of the Fund, the Custodian and such futures commission merchant, designated to comply with the rules of the Commodity Futures Trading Commission and/or any contract market, or any similar organization or organizations, regarding such margin deposits; and to release and/or transfer assets in such margin accounts only in accordance with any such agreements or rules.

N. Stock Loans - Upon receipt of proper instructions, to  
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deliver securities of the Fund, in connection with loans of

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securities by the Fund, to the borrower thereof upon the receipt of the cash collateral, if any, for such borrowing. In the event U.S. Government securities are to be used as collateral, the Custodian will not release the securities to be loaned until it has received confirmation that such collateral has been delivered to the Custodian. The Custodian and Fund understand that the timing of receipt of such confirmation will normally require that the delivery of securities to be loaned will be made one day after receipt of the U.S. Government collateral.

O. Collections - To collect, receive and deposit in said  
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account or accounts all income and other payments with respect to the securities held hereunder, and to execute ownership and other certificates and affidavits for all federal and state tax purposes in connection with receipt of income or other payments

with respect to securities of the Fund or in connection with transfer of securities, and pursuant to proper instructions to take such other actions with respect to collection or receipt of funds or transfer of securities which involve an investment decision.

P. Dividends, Distributions and Redemptions - Upon receipt  
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of proper instructions from the Fund, or upon receipt of instructions from the Fund's shareholder servicing agent or agent with comparable duties (the "Shareholder Servicing Agent") (given by such person or persons and in such manner on behalf of the Shareholder Servicing Agent as the Fund shall have authorized),

the Custodian shall release funds or securities to the Shareholder Servicing Agent or otherwise apply funds or securities, insofar as available, for the payment of dividends or other distributions to Fund shareholders. Upon receipt of proper instructions from the Fund, or upon receipt of instructions from

the Shareholder Servicing Agent (given by such person or persons and in such manner on behalf of the Shareholder Servicing Agent as the Fund shall have authorized), the Custodian shall release funds or securities, insofar as available, to the Shareholder Servicing Agent or as such Agent shall otherwise instruct for payment to Fund shareholders who have delivered to such Agent a request for repurchase or redemption of their shares of capital stock of the Fund.

Q. Proxies, Notices, Etc. - Promptly to deliver or mail  
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to the Fund all forms of proxies and all notices of meetings and any other notices or announcements affecting or relating to securities owned by the Fund that are received by the Custodian, and upon receipt of proper instructions, to execute and deliver or cause its nominee to execute and deliver such proxies or other authorizations as may be required. Neither the Custodian nor its nominee shall vote upon any of such securities or execute any proxy to vote thereon or give any consent or take any other action with respect thereto (except as otherwise herein provided) unless ordered to do so by proper instructions.

R. Bills - Upon receipt of proper instructions, to pay or  
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cause to be paid, insofar as funds are available for the purpose,  
bills, statements, or other obligations of the Fund.

S. Deposit of Fund Assets in Securities Systems - The  
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Custodian may deposit and/or maintain securities owned by the  
Fund in (i) The Depository Trust Company, (ii) any book-entry  
system as provided in Subpart O of Treasury Circular No. 300, 31  
CFR 306, Subpart B of 31 CFR Part 350, or the book-entry  
regulations of federal agencies substantially in the form of  
Subpart O, or (iii) any other domestic clearing agency registered  
with the Securities and Exchange Commission under Section 17A of  
the Securities Exchange Act of 1934 which acts as a securities  
depository and whose use the Fund has previously approved in  
writing (each of the foregoing being referred to in this  
Agreement as a "Securities System"). Utilization of a Securities  
System shall be in accordance with applicable Federal Reserve  
Board and Securities and Exchange Commission rules and  
regulations, if any, and subject to the following provisions:

1) The Custodian may deposit and/or maintain Fund  
securities, either directly or through one or more Agents  
appointed by the Custodian (provided that any such agent shall be

qualified to act as a custodian of the Fund pursuant to the Investment Company Act of 1940 and the rules and regulations thereunder), in a Securities System provided that such securities are represented in an account ("Account") of the Custodian or

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such Agent in the Securities System which shall not include any assets of the Custodian or Agent other than assets held as a fiduciary, custodian, or otherwise for customers;

2) The records of the Custodian with respect to securities of the Fund which are maintained in a Securities System shall identify by book-entry those securities belonging to the Fund;

3) The Custodian shall pay for securities purchased for the account of the Fund upon (i) receipt of advice from the Securities System that such securities have been transferred to the Account, and (ii) the making of an entry on the records of the Custodian to reflect such payment and transfer for the account of the Fund. The Custodian shall Transfer securities

sold for the account of the Fund upon (i) receipt of advice from the Securities System that payment for such securities has been transferred to the Account, and (ii) the making of an entry on the records of the Custodian to reflect such transfer and payment for the account of the Fund. Copies of all advices from the Securities System of transfers of securities for the account of the Fund shall identify the Fund, be maintained for the Fund by the Custodian or an Agent as referred to above, and be provided to the Fund at its request. The Custodian shall furnish the Fund confirmation of each transfer to or from the account of the Fund in the form of a written advice or notice and shall furnish to the Fund copies of daily transaction sheets reflecting each day's

transactions in the Securities System for the account of the Fund on the next business day;

4) The Custodian shall provide the Fund with any report obtained by the Custodian or any Agent as referred to above on



the Securities System's accounting system, internal accounting control and procedures for safeguarding securities deposited in the Securities System; and the Custodian and such Agents shall send to the Fund such reports on their own systems of internal accounting control as the Fund may reasonably request from time to time; and

5) At the written request of the Fund, the Custodian will terminate the use of any such Securities System on behalf of the Fund as promptly as practicable.

T. Other Transfers - Upon receipt of Proper Instructions,  
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to deliver securities, funds and other property of the Fund to a Subcustodian or another custodian of the Fund; and, upon receipt of proper instructions, to make such other disposition of securities, funds or other property of the Fund in a manner other than or for purposes other than as enumerated elsewhere in this Agreement, provided that the instructions relating to such disposition shall include a statement of the purpose for which the delivery is to be made, the amount of securities to be delivered and the name of the person or persons to whom delivery is to be made.

U. Investment Limitations - In performing its duties  
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generally, and more particularly in connection with the purchase, sale and exchange of securities made by or for the Fund, the Custodian may assume unless and until notified in writing to the contrary that proper instructions received by it are not in conflict with or in any way contrary to any provisions of the Fund's Certificate of Incorporation or By-Laws (or comparable documents) or votes or proceedings of the shareholders or Directors of the Fund. The Custodian shall in no event be liable to the Fund and shall be indemnified by the Fund for any violation which occurs in the course of carrying out instructions given by the Fund of any investment limitations to which the Fund is subject or other limitations with respect to the Fund's powers to make expenditures, encumber securities, borrow or take similar actions affecting its portfolio.

V. Proper Instructions - Proper instructions shall mean a  
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tested telex from the Fund or a written request, direction, instruction or certification signed or initialled on behalf of the Fund by two or more persons as the Board of Directors of the

Fund shall have from time to time authorized, provided, however, that no such instructions directing the delivery of securities or the payment of funds to an authorized signatory of the Fund shall be signed by such person. Those persons authorized to give proper instructions may be identified by the Board of Directors by name, title or position and will include at least one officer

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empowered by the Board to name other individuals who are authorized to give proper instructions on behalf of the Fund. Telephonic or other oral instructions given by any one of the above persons will be considered proper instructions if the Custodian reasonably believes them to have been given by a person authorized to give such instructions with respect to the transaction involved. Oral instructions will be confirmed by tested telex or in writing in the manner set forth above but the lack of such confirmation shall in no way affect any action taken by the Custodian in reliance upon such oral instructions. The Fund authorizes the Custodian to tape record any and all

telephonic or other oral instructions given to the Custodian by or on behalf of the Fund (including any of its officers, Directors, employees or agents) and will deliver to the Custodian a similar authorization from any investment manager or adviser or person or entity with similar responsibilities which is authorized to give proper instructions on behalf of the Fund to the Custodian. Proper instructions may relate to specific transactions or to types or classes of transactions, and may be in the form of standing instructions.

Proper instructions may include communications effected directly between electro-mechanical or electronic devices or systems, in addition to tested telex, provided that the Fund and the Custodian agree to the use of such device or system.

3. Securities, funds and other property of the Fund may be held by subcustodians appointed pursuant to the provisions of

this Section 3 (a "Subcustodian"). The Custodian may, at any time and from time to time, appoint any bank or trust company (meeting the requirements of a custodian or a foreign custodian under the Investment Company Act of 1940 and the rules and regulations thereunder) to act as a Subcustodian for the Fund, provided that the Fund shall have approved in writing (1) any such bank or trust company and the subcustodian agreement to be entered into between such bank or trust company and the Custodian, and (2) if the subcustodian is a bank organized under the laws of a country other than the United States, the holding of securities, cash and other property of the Fund in the country in which it is proposed to utilize the services of such subcustodian. Upon such approval by the Fund, the Custodian is authorized on behalf of the Fund to notify each Subcustodian of its appointment as such. The Custodian may, at any time in its discretion, remove any bank or trust company that has been appointed as a Subcustodian but will promptly notify the Fund of any such action.

Those Subcustodians, their offices or branches which the Fund has approved to date are set forth on Appendix A hereto. Such Appendix shall be amended from time to time as Subcustodians, branches or offices are changed, added or deleted. The Fund shall be responsible for informing the Custodian

sufficiently in advance of a proposed investment which is to be held at a location not listed on Appendix A, in order that there shall be sufficient time for the Fund to give the approval required by the preceding paragraph and for the Custodian to put the appropriate arrangements in place with such Subcustodian pursuant to such subcustodian agreement.

Although the Fund does not intend to invest in a country before the foregoing procedures have been completed, in the event that an investment is made prior to approval, if practical, such security shall be removed to an approved location or if not practical such security shall be held by such agent as the Custodian may appoint. In such event, the Custodian shall be liable to the Fund for the actions of such agent if and only to the extent the Custodian shall have recovered from such agent for any damages caused the Fund by such agent and provided that the Custodian shall pursue its rights against such agent.

In the event that any Subcustodian appointed pursuant to the provisions of this Section 3 fails to perform any of its obligations under the terms and conditions of the applicable

subcustodian agreement, the Custodian shall use its best efforts to cause such Subcustodian to perform such obligations. In the event that the Custodian is unable to cause such Subcustodian to perform fully its obligations thereunder, the Custodian shall forthwith upon the Fund's request terminate such Subcustodian and, if necessary or desirable, appoint another subcustodian in

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accordance with the provisions of this Section 3. At the election of the Fund, it shall have the right to enforce, to the extent permitted by the subcustodian agreement and applicable law, the Custodian's rights against any such Subcustodian for loss or damage caused the Fund by such Subcustodian.

At the written request of the Fund, the Custodian will terminate any subcustodian appointed pursuant to the provisions of this Section 3 in accordance with the termination provisions under the applicable subcustodian agreement. The Custodian will not amend any subcustodian agreement or agree to change or permit any changes thereunder except upon the prior written approval of

the Fund.

In the event the Custodian receives a claim from a Subcustodian under the indemnification provisions of any subcustodian agreement, the Custodian shall promptly give written notice to the Fund of such claim. No more than thirty days after written notice to the Fund of the Custodian's intention to make such payment, the Fund will reimburse the Custodian the amount of such payment except in respect of any negligence or misconduct of the Custodian.

4. The Custodian may assist generally in the preparation of reports to Fund shareholders and others, audits of accounts, and other ministerial matters of like nature.

5. The Fund hereby also appoints the Custodian as its financial agent. With respect to the appointment as financial

agent, the Custodian shall have and perform the following powers and duties:



A. Records - To create, maintain and retain such records  
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relating to its activities and obligations under this Agreement as are required under the Investment Company Act of 1940 and the rules and regulations thereunder (including Section 31 thereof and Rules 31a-1 and 31a-2 thereunder) and under applicable Federal and State tax laws. All such records will be the property of the Fund and in the event of termination of this Agreement shall be delivered to the successor custodian, and the Custodian agrees to cooperate with the Fund in execution of documents and other action necessary or desirable in order to substitute the successor custodian for the Custodian under this Agreement.

B. Accounts - To keep books of account and render  
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statements, including interim monthly and complete quarterly financial statements, or copies thereof, from time to time as reasonably requested by proper instructions.

C. Access to Records - Subject to security requirements of  
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the Custodian applicable to its own employees having access to similar records within the Custodian and such regulations as may be reasonably imposed by the Custodian, the books and records maintained by the Custodian pursuant to Sections 5A and 5B shall be open to inspection and audit at reasonable times by officers of, attorneys for, and auditors employed by, the Fund.

D. Disbursements - Upon receipt of proper instructions, to  
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pay or cause to be paid, insofar as funds are available for the purpose, bills, statements and other obligations of the Fund (including but not limited to interest charges, taxes, management fees, compensation to Fund officers and employees, and other operating expenses of the Fund).

6. A. The Custodian shall not be liable for any action taken or omitted in reliance upon proper instructions believed by it to be genuine or upon any other written notice, request, direction, instruction, certificate or other instrument believed by it to be genuine and signed by the proper party or parties.

The Secretary or Assistant Secretary of the Fund shall certify to the Custodian the names, signatures and scope of authority of all persons authorized to give proper instructions or any other such notice, request, direction, instruction, certificate or instrument on behalf of the Fund, the names and signatures of the officers of the Fund, the name and address of

the Shareholder Servicing Agent, and any resolutions, votes, instructions or directions of the Fund's Board of Directors or shareholders. Such certificate may be accepted and relied upon by the Custodian as conclusive evidence of the facts set forth therein and may be considered in full force and effect until receipt of a similar certificate to the contrary.

So long as and to the extent that it is in the exercise of reasonable care, the Custodian shall not be responsible for the

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title, validity or genuineness of any property or evidence of title thereto received by it or delivered by it pursuant to this Agreement.

The Custodian shall be entitled, at the expense of the Fund, (but only to the extent such expenses are reasonable) to receive and act upon advice of counsel (who may be counsel for the Fund) on all matters, and the Custodian shall be without liability for any action reasonably taken or omitted pursuant to such advice.

B. With respect to the portfolio securities, cash and

other property of the Fund held by a Securities System, the Custodian shall be liable to the Fund only for any loss or damage to the Fund resulting from use of the Securities System if caused by any negligence, misfeasance or misconduct of the Custodian or any of its agents or of any of its or their employees or from any failure of the Custodian or any such agent to enforce effectively such rights as it may have against the Securities System.

C. The Custodian shall be liable to the Fund for any loss or damage to the Fund caused by or resulting from the acts or omissions of any Subcustodian if such acts or omissions would be deemed to be negligence, gross negligence or willful misconduct hereunder if such acts or omissions were those of the Custodian taken or omitted by the Custodian in the country in which the Subcustodian is operating. The Custodian shall also be liable to the Fund for its own negligence in transmitting any instructions received by it from the Fund and for its own negligence in

connection with the delivery of any securities or funds held by it to any Subcustodian.

D. Except as may otherwise be set forth in this Agreement with respect to particular matters, the Custodian shall be held only to the exercise of reasonable care and diligence in carrying out the provisions of this Agreement, provided that the Custodian shall not thereby be required to take any action which is in contravention of any applicable law. However, nothing herein shall exempt the Custodian from liability due to its own negligence or willful misconduct. The Fund agrees to indemnify and hold harmless the Custodian and its nominees from all claims and liabilities (including reasonable counsel fees) incurred or assessed against it or its nominees in connection with the performance of this Agreement, except such as may arise from its or its nominee's breach of the relevant standard of conduct set forth in this Agreement. Without limiting the foregoing indemnification obligation of the Fund, the Fund agrees to indemnify the Custodian and its nominees against any liability the Custodian or such nominee may incur by reason of taxes assessed to the Custodian or such nominee or other costs, liability or expense incurred by the Custodian or such nominee resulting directly or indirectly from the fact that portfolio securities or other property of the Fund is registered in the name of the Custodian or such nominee.

In order that the indemnification provisions contained in this Paragraph 6-C shall apply, however, it is understood that if in any case the Fund may be asked to indemnify or hold the Custodian harmless, the Fund shall be fully and promptly advised of all pertinent facts concerning the situation in question, and it is further understood that the Custodian will use all reasonable care to identify and notify the Fund promptly concerning any situation which presents or appears likely to present the probability of such a claim for indemnification against the Fund. The Fund shall have the option to defend the Custodian against any claim which may be the subject of this indemnification, and in the event that the Fund so elects it will so notify the Custodian, and thereupon the Fund shall take over complete defense of the claim, and the Custodian shall in such situation initiate no further legal or other expenses for which it shall seek indemnification under this Paragraph 6-C. The Custodian shall in no case confess any claim or make any

compromise in any case in which the Fund will be asked to indemnify the Custodian except with the Fund's prior written consent.

It is also understood that the Custodian shall not be liable for any loss involving any securities, currencies, deposits or other property of the Fund, whether maintained by it, a Subcustodian, an agent of the Custodian or a Subcustodian, a Securities System, or a Banking Institution, or a loss arising

from a foreign currency transaction or contract, resulting from a Sovereign Risk. A "Sovereign Risk" shall mean nationalization, expropriation, devaluation, revaluation, confiscation, seizure, cancellation, destruction or similar action by any governmental authority, de facto or de jure; or enactment, promulgation, imposition or enforcement by any such governmental authority of currency restrictions, exchange controls, taxes, levies or other charges affecting the Fund's property; or acts of war, terrorism, insurrection or revolution; or any other similar act or event

beyond the Custodian's control.

E. The Custodian shall be entitled to receive reimbursement from the Fund on demand, in the manner provided in Section 7, for its cash disbursements, expenses and charges (including the fees and expenses of any Subcustodian or any Agent) in connection with this Agreement, but excluding salaries and usual overhead expenses.

F. The Custodian may at any time or times in its discretion appoint (and may at any time remove) any other bank or trust company as its agent (an "Agent") to carry out such of the provisions of this Agreement as the Custodian may from time to time direct, provided, however, that the appointment of such Agent (other than an Agent appointed pursuant to the third paragraph of Section 3) shall not relieve the Custodian of any of its responsibilities under this agreement.



G. Upon request, the Fund shall deliver to the Custodian such proxies, powers of attorney or other instruments as may be reasonable and necessary or desirable in connection with the performance by the Custodian or any Subcustodian of their respective obligations under this Agreement or any applicable subcustodian agreement.

7. The Fund shall pay the Custodian a custody fee based on such fee schedule as may from time to time be agreed upon in writing by the Custodian and the Fund. Such fee, together with all amounts for which the Custodian is to be reimbursed in accordance with Section 6D, shall be billed to the Fund in such a manner as to permit payment by a direct cash payment to the Custodian.

8. This Agreement shall continue in full force and effect until terminated by either party by an instrument in writing delivered or mailed, postage prepaid, to the other party, such termination to take effect not sooner than seventy five (75) days after the date of such delivery or mailing. In the event of termination the Custodian shall be entitled to receive prior to delivery of the securities, funds and other property held by it all accrued fees and unreimbursed expenses the payment of which is contemplated by Sections 6D and 7, upon receipt by the Fund of a statement setting forth such fees and expenses.

In the event of the appointment of a successor custodian, it is agreed that the funds and securities owned by the Fund and

held by the Custodian or any Subcustodian shall be delivered to the successor custodian, and the Custodian agrees to cooperate with the Fund in execution of documents and performance of other actions necessary or desirable in order to substitute the successor custodian for the Custodian under this Agreement.

9. This Agreement constitutes the entire understanding and agreement of the parties hereto with respect to the subject matter hereof. No provision of this Agreement may be amended or terminated except by a statement in writing signed by the party against which enforcement of the amendment or termination is sought.

In connection with the operation of this Agreement, the Custodian and the Fund may agree in writing from time to time on such provisions interpretative of or in addition to the provisions of this Agreement as may in their joint opinion be consistent with the general tenor of this Agreement. No interpretative or additional provisions made as provided in the

preceding sentence shall be deemed to be an amendment of this Agreement.

10. This instrument is executed and delivered in The Commonwealth of Massachusetts and shall be governed by and construed according to the laws of said Commonwealth.

11. Notices and other writings delivered or mailed postage prepaid to the Fund addressed to the Fund at Merrill Lynch Asset Management, Inc., 800 Scudders Mill Road, Plainsboro, New Jersey

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08536, Mailing address: Post Office Box 9011, Princeton, New Jersey 08543, Attention: Mr. Gerald M. Richard, Senior Vice President/Treasurer, or to such other address as the Fund may have designated to the Custodian in writing, or to the Custodian at 40 Water Street, Boston, Massachusetts 02109, Attention: Manager, Securities Department, or to such other address as the Custodian may have designated to the Fund in writing, shall be deemed to have been properly delivered or given hereunder to the respective addressee.

12. This Agreement shall be binding on and shall inure to the benefit of the Fund and the Custodian and their respective successors and assigns, provided that neither party hereto may assign this Agreement or any of its rights or obligations hereunder without the prior written consent of the other party.

13. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original. This Agreement shall become effective when one or more counterparts have been signed and delivered by each of the parties.

IN WITNESS WHEREOF, each of the parties has caused this Agreement to be executed in its name and behalf on the day and year first above written.

MERRILL LYNCH INTERNATIONAL  
EQUITY PORTFOLIO

BROWN BROTHERS HARRIMAN & CO.

By /s/ Gerald M. Richard  
-----

per pro /s/ A. Heaton Robertson  
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BROWN BROTHERS HARRIMAN & CO.

MERRILL LYNCH INTERNATIONAL EQUITY FUND

Global Custody Fee Schedule  
Revised September, 1993

Payable monthly on the value of assets:

Euroclear

- -----

.0005 on all assets  
Transaction charge: \$30

Australia, Canada, Japan, New Zealand, The Netherlands

- -----

.0008 on all assets  
Transaction charge: \$30

Belgium, France, Germany, Sweden, Switzerland, United Kingdom,

- -----

Ireland

- -----

.0010 on all assets  
Transaction charge: \$40

Austria, Denmark, Finland, Hong Kong, Italy, Norway, Portugal,

- -----

Spain, South Africa

- -----

.0012 on all assets  
Transaction charge: \$50

Malaysia, Singapore, Thailand, Indonesia

- -----

.0015 on all assets  
Transaction charge: \$50

Mexico

- -----

.0020 on equities  
.0012 on bonds  
Transaction charge: \$50

China, Pakistan

- -----

.0025 on all assets  
Transaction charge:  
China: \$90

Pakistan: \$150

Korea, Taiwan, Philippines, Sri Lanka

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.0025 on all assets  
Transaction charge: \$50

BROWN BROTHERS HARRIMAN & CO.

MERRILL LYNCH INTERNATIONAL EQUITY FUND

Global Custody Fee Schedule  
Revised September, 1993  
Page 2

Brazil

-----  
.0030 on all assets  
Transaction charge: \$50  
Local Administration: 15 basis points

India

-----  
.0035 on all assets  
Transaction charge: \$100

Argentina

- -----  
.0035 on all assets  
Transaction charge: \$75

Chile

- -----  
.0035 on all assets  
Transaction charge: \$100  
Local Administration: 35 basis points

Venezuela

- -----  
.0040 on all assets  
Transaction charge: \$100

Colombia

- -----  
.0045 on all assets  
Transaction charge: \$125

Bangladesh

- -----  
.0040 on all assets  
Transaction charge: \$50

Turkey

- -----  
.0050 on all assets  
Transaction charge: \$175

Greece

- -----  
.0050 on all assets  
Transaction charge: \$100 on-premise  
\$350 off-premise

BROWN BROTHERS HARRIMAN & CO.

MERRILL LYNCH INTERNATIONAL EQUITY FUND

Global Custody Fee Schedule

Revised September, 1993

Page 3

Hungary

- - - - -

.0050 on all assets  
Transaction charge: \$175

Uruguay

- - - - -

.0050 on all assets  
Transaction charge: \$125

Peru

- - - - -

.0060 on all assets  
Transaction charge: \$150

Poland

- - - - -

.0060 on all assets  
Transaction charge: \$175

BBH&Co. Out-of-Pocket Expenses

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There will be no BBH&Co. out-of-pocket expenses passed on to the funds.

Subcustodian Out-of-Pocket Expenses

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Subcustodian out-of-pocket expenses in the form of dividend and interest collection, tax reclaim filings, registration, transfer, stamp duty, handling, withdrawal, and proxy fees will be passed through to the fund.

Any countries not shown on the above fee schedule will be



negotiated at the time of investment.

/s/ James R. Kent

/s/ Gerald M. Richard

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Brown Brothers Harriman & Co.

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Merrill Lynch International  
Equity Fund

TRANSFER AGENCY, DIVIDEND DISBURSING AGENCY  
AND SHAREHOLDER SERVICING AGENCY AGREEMENT

THIS AGREEMENT made as of the 17th day of June 1993 by and between Merrill Lynch International Equity Fund, a Massachusetts business trust (the "Fund"), and Financial Data Services, Inc. ("FDS"), a New Jersey corporation.

WITNESSETH:

WHEREAS, the Fund wishes to appoint FDS to be the Transfer Agent, Dividend Disbursing Agent and Shareholder Servicing Agent upon, and subject to, the terms and provisions of this Agreement, and FDS is desirous of accepting such appointment upon, and subject to, such terms and provisions:

NOW THEREFORE, in consideration of mutual covenants contained in this Agreement, the Fund and FDS agree as follows:

1. Appointment of FDS as Transfer Agent, Dividend  
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Disbursing Agent and Shareholder Servicing Agent.  
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(a) The Fund hereby appoints FDS to act as Transfer Agent, Dividend Disbursing Agent and Shareholder Servicing Agent for the Fund upon, and subject to, the terms and provisions of this Agreement.

(b) FDS hereby accepts the appointment as Transfer Agent, Dividend Disbursing Agent and Shareholder Servicing Agent for the Fund, and agrees to act as such upon, and subject to, the terms and provisions of this Agreement.

2. Definitions.  
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(a) In this Agreement:

(i) The term "Act" means the Investment Company Act of

1940 as amended from time to time and any rule or regulation thereunder;

(ii) The term "Account" means any account of a Shareholder, or, if the shares are held in an account in the name of MLPF&S for benefit of an identified customer, such account, including a Plan Account, any account under a plan (by whatever name referred to in the Prospectus) pursuant to the Self-Employed Individuals Retirement Act of 1962 ("Keogh Act Plan") and any plan (by whatever name referred to in the Prospectus) in conjunction with Section 401 of the Internal Revenue Code ("Corporation Master Plan");

(iii) The term "application" means an application made by a Shareholder or prospective Shareholder respecting the opening of an Account;

(iv) The term "MLFD" means Merrill Lynch Funds Distributor, Inc., a Delaware corporation;

(v) The term "MLPF&S" means Merrill Lynch, Pierce, Fenner & Smith Incorporated, a Delaware corporation;

(vi) The term "Officer's Instruction" means an instruction in writing given on behalf of the Fund to FDS, and signed on behalf of the Fund by the President, any Vice President, the Secretary or the Treasurer of the Fund;

(vii) The term "Prospectus" means the Prospectus and the Statement of Additional Information of the Fund as from time to time in effect;

(viii) The term "Shares" means shares of stock or beneficial interest, as the case may be, of the Fund, irrespective of class or series;

(ix) The term "Shareholder" means the holder of record

of Shares;

(x) The term "Plan Account" means an account opened by a Shareholder or prospective Shareholder in respect to an open account, monthly payment or withdrawal plan (in each case by whatever name referred to in the Prospectus), and may also include an account relating to any other plan if and when provision is made for such plan in the Prospectus.

3. Duties of FDS as Transfer Agent, Dividend Disbursing  
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Agent and Shareholder Servicing Agent.  
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(a) Subject to the succeeding provisions of the Agreement, FDS hereby agrees to perform the following functions as Transfer Agent, Dividend Disbursing Agent and Shareholder Servicing Agent for the Fund;

(i) Issuing, transferring and redeeming Shares;

(ii) Opening, maintaining, servicing and closing  
Accounts;

(iii) Acting as agent for the Fund Shareholders and/or customers of MLPF&S in connection with Plan Accounts, upon the terms and subject to the conditions contained in the Prospectus and application relating to the specific Plan Account;

(iv) Acting as agent of the Fund and/or MLPF&S, maintaining such records as may permit the imposition of such contingent deferred sales charges as may be described in the Prospectus, including such reports as may be reasonably requested by the Fund with respect to such Shares as may be subject to a

contingent deferred sales charge;

(v) Upon the redemption of Shares subject to such a contingent deferred sales charge, calculating and deducting from the redemption proceeds thereof the amount of such charge in the manner set forth in the Prospectus. FDS shall pay, on behalf of MLFD, to MLPF&S such deducted contingent deferred sales charges imposed upon all Shares maintained in the name of MLPF&S, or maintained in the name of an account identified as a customer account of MLPF&S. Sales charges imposed upon any other Shares shall be paid by FDS to MLFD.

(vi) Exchanging the investment of an investor into or from the shares of other open-end investment companies or other series portfolios of the Fund, if any, if and to the extent permitted by the Prospectus at the direction of such investor.

(vii) Processing redemptions;

(viii) Examining and approving legal transfers;

(ix) Replacing lost, stolen or destroyed certificates representing Shares, in accordance with, and subject to, procedures and conditions adopted by the Fund;

(x) Furnishing such confirmations of transactions relating to their Shares as required by applicable law;

(xi) Acting as agent for the Fund and/or MLPF&S, furnishing such appropriate periodic statements relating to Accounts, together with additional enclosures, including appropriate income tax information and income tax forms duly completed, as required by applicable law;

(xii) Acting as agent for the Fund and/or MLPF&S, mailing annual, semi-annual and quarterly reports prepared by or on behalf of the Fund, and mailing new Prospectuses upon their issue to Shareholders as required by applicable law;

(xiii) Furnishing such periodic statements of transactions effected by FDS, reconciliations, balances and summaries as the Fund may reasonably request;

(xiv) Maintaining such books and records relating to transactions effected by FDS as are required by the Act, or by any other applicable provision of law, rule or regulation, to be maintained by the Fund or its transfer agent with respect to such

transactions, and preserving, or causing to be preserved any such books and records for such periods as may be required by any such law, rule or regulation and as may be agreed upon from time to time between FDS and the Fund. In addition, FDS agrees to maintain and preserve master files and historical computer tapes on a daily basis in multiple separate locations a sufficient distance apart to insure preservation of at least one copy of such information;

(xv) Withholding taxes on non-resident alien Accounts, preparing and filing U.S. Treasury Department Form 1099 and other appropriate forms as required by applicable law with respect to dividends and distributions; and

(xvi) Reinvesting dividends for full and fractional shares and disbursing cash dividends, as applicable.

(b) FDS agrees to act as proxy agent in connection with the holding of annual, if any, and special meetings of Shareholders, mailing such notices, proxies and proxy statements in connection with the holding of such meetings as may be required by applicable law, receiving and tabulating votes cast by proxy and communicating to the Fund the results of such tabulation accompanied by appropriate certifications, and preparing and furnishing to the Fund certified lists of Shareholders as of such date, in such form and containing such information as may be required by the Fund.

(c) FDS agrees to deal with, and answer in a timely manner, all correspondence and inquiries relating to the functions of FDS under this Agreement with respect to Accounts.

(d) FDS agrees to furnish to the Fund such information and at such intervals as is necessary for the Fund to comply with the registration and/or the reporting requirements (including applicable escheat laws) of the Securities and Exchange Commission, Blue Sky authorities or other governmental authorities.

(e) FDS agrees to provide to the Fund such information as may reasonably be required to enable the Fund to reconcile the number of outstanding Shares between FDS's records and the account books of the Fund.

(f) Notwithstanding anything in the foregoing provisions of this paragraph, FDS agrees to perform its functions thereunder subject to such modification (whether in respect of particular cases or in any particular class of cases) as may from time to time be contained in an Officer's Instruction.

4. Compensation.

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The charges for services described in this Agreement, including "out-of-pocket" expenses, will be set forth in the Schedule of Fees attached hereto.

5. Right of Inspection.

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FDS agrees that it will in a timely manner make available to, and permit, any officer, accountant, attorney or authorized agent of the Fund to examine and make transcripts and copies (including photocopies and computer or other electronic information storage media and print-outs) of any and all of its books and records which relate to any transaction or function performed by FDS under or pursuant to this Agreement.

6. Confidential Relationship.

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FDS agrees that it will, on behalf of itself and its

officers and employees, treat all transactions contemplated by this Agreement, and all information germane thereto, as confidential and not to be disclosed to any person (other than the Shareholder concerned, or the Fund, or as may be disclosed in the examination of any books or records by any person lawfully entitled to examine the same) except as may be authorized by the Fund by way of an Officer's Instruction.

7. Indemnification.

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The Fund shall indemnify and hold FDS harmless from any loss, costs, damage and reasonable expenses, including reasonable attorney's fees (provided that such attorney is appointed with the Fund's consent, which consent shall not be unreasonably withheld), incurred by it resulting from any claim, demand, action, or suit in connection with the performance of its duties hereunder, provided that this indemnification shall not apply to actions or omissions of FDS in cases of willful misconduct, failure to act in good faith or negligence by FDS, its officers, employees or agents, and further provided, that prior to confessing any claim against it which may be subject to this indemnification, FDS shall give the Fund reasonable opportunity to defend against said claim in its own name or in the name of FDS. An action taken by FDS upon any Officer's Instruction reasonably believed by it to have been properly executed shall not constitute willful misconduct, failure to act in good faith or negligence under this Agreement.

8. Regarding FDS.



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(a) FDS hereby agrees to hire, purchase, develop and maintain such dedicated personnel, facilities, equipment, software, resources and capabilities as may be reasonably determined by the Fund to be necessary for the satisfactory performance of the duties and responsibilities of FDS. FDS warrants and represents that its officers and supervisory personnel charged with carrying out its functions as Transfer Agent, Dividend Disbursing Agent and Shareholder Servicing Agent for the Fund possess the special skill and technical knowledge appropriate for that purpose. FDS shall at all times exercise due care and diligence in the performance of its functions as Transfer Agent, Dividend Disbursing Agent and Shareholder Servicing Agent for the Fund. FDS agrees that, in determining whether it has exercised due care and diligence, its conduct shall be measured by the standard applicable to persons possessing such special skill and technical knowledge.

(b) FDS warrants and represents that it is duly authorized and permitted to act as Transfer Agent, Dividend Disbursing Agent and Shareholder Servicing Agent under all applicable laws and that it will immediately notify the Fund of any revocation of such authority or permission or of the commencement of any proceeding or other action which may lead to such revocation.

#### 9. Termination.

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(a) This Agreement shall become effective as of the date first above written and shall thereafter continue from year to year. This Agreement may be terminated by the Fund or FDS (without penalty to the Fund or FDS) provided that the terminating party gives the other party written notice of such termination at least sixty (60) days in advance, except that the Fund may terminate this Agreement immediately upon written notice to FDS if the authority or permission of FDS to act as Transfer Agent, Dividend Disbursing Agent and Shareholder Servicing Agent has been revoked or if any proceeding or other action which the Fund reasonably believes will lead to such revocation has been commenced.

(b) Upon termination of this Agreement, FDS shall deliver all unissued and cancelled stock certificates representing Shares remaining in its possession, and all Shareholder records, books, stock ledgers, instruments and other documents (including computerized or other electronically stored information) made or accumulated in the performance of its duties as Transfer Agent, Dividend Disbursing Agent and Shareholder Servicing Agent for the Fund along with a certified locator document clearly indicating the complete contents therein, to such successor as may be

specified in a notice of termination or Officer's Instruction;  
and the Fund assumes all responsibility for failure thereafter to

produce any paper, record or documents so delivered and  
identified in the locator document, if and when required to be  
produced.

10. Amendment.

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Except to the extent that the performance by FDS of its  
functions under this Agreement may from time to time be modified  
by an Officer's Instruction, this Agreement may be amended or  
modified only by further written Agreement between the parties.

11. Governing Law.

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This Agreement shall be governed by the laws of the  
State of New Jersey.

12. Personal Liability.

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The Declaration of Trust establishing the Fund, dated  
January 3, 1992, a copy of which, together with all amendments  
thereto (the "Declaration"), is on file in the office of the  
Secretary of the Commonwealth of Massachusetts, provides that the  
name "Merrill Lynch International Equity Fund" refers to the  
Trustees under the Declaration collectively as trustees, but not  
as individuals or personally; and no Trustee, shareholder,  
officer, employee or agent of the Fund shall be held to any  
personal liability, nor shall resort be had to their private  
property for the satisfaction of any obligation or claim or  
otherwise in connection with the affairs of the Fund, but the  
"Trust Property" only shall be liable.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by their respective duly authorized officers and their respective corporate seals hereunto duly affixed and attested, as of the day and year above written.

MERRILL LYNCH INTERNATIONAL  
EQUITY FUND

By: /s/ Norman R. Harvey  
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Title: Senior Vice President

FINANCIAL DATA SERVICES, INC.

By: /s/ Richard J. Hopkins  
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Title: Vice President

Schedule of Fees  
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The Fund will pay to FDS an annual fee of \$7.00 per Class A Shareholder Account and \$9.00 per Class B Shareholder Account in

addition to reimbursement for the out-of-pocket expenses incurred by FDS pursuant to this Agreement.

LICENSE AGREEMENT RELATING TO USE OF NAME

AGREEMENT made as of the 17th day of June 1993, between MERRILL LYNCH & CO., INC., a Delaware corporation ("ML&Co."), and MERRILL LYNCH INTERNATIONAL EQUITY FUND, a Massachusetts business trust (the "Fund");

W I T N E S S E T H :

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WHEREAS, ML&Co. was incorporated under the laws of the State of Delaware on March 27, 1973 under the corporate name "Merrill Lynch & Co., Inc." and has used such name at all times thereafter;

WHEREAS, ML&Co. was duly qualified as a foreign corporation under the laws of the State of New York on April 25, 1973 and has remained so qualified at all times thereafter;

WHEREAS, the Fund was organized under the laws of the Commonwealth of Massachusetts on January 3, 1992; and

WHEREAS, the Fund desires to qualify as a foreign corporation under the laws of the State of New York and has requested ML&Co. to give its consent to the use of the name

"Merrill Lynch" in the Fund's corporate name.

NOW, THEREFORE, in consideration of the premises and of the covenants hereinafter contained, ML&Co. and the Fund hereby agree as follows:

I. ML&Co. hereby grants the Fund a non-exclusive license to use the words "Merrill Lynch" in its corporate name.

II. ML&Co. hereby consents to the qualification of the Fund as a foreign corporation under the laws of the State of New York with the words "Merrill Lynch" in its corporate name and agrees to execute such formal consents as may be necessary in connection with such filing.

III. The non-exclusive license hereinabove referred to has been given and is given by ML&Co. on the condition that it may at any time, in its sole and absolute discretion, withdraw the non-exclusive license to the use of the words "Merrill Lynch" in the name of the Fund; and, as soon as practicable after receipt

by the Fund of written notice of the withdrawal of such non-exclusive license, and in no event later than ninety days thereafter, the Fund will change its name so that such name will not thereafter include the words "Merrill Lynch" or any variation thereof.

IV. ML&Co. reserves and shall have the right to grant to any other company, including without limitation, any other investment company, the right to use the words "Merrill Lynch" or variations thereof in its name and no consent or permission of the Fund shall be necessary; but, if required by an applicable law of any state, the Fund will forthwith grant all requisite consents.

V. The Fund will not grant to any other company the right to use a name similar to that of the Fund or ML&Co. without the written consent of ML&Co.

VI. Regardless of whether the Fund should hereafter change

its name and eliminate the words "Merrill Lynch" or any variation thereof from such name, the Fund hereby grants to ML&Co. the right to cause the incorporation of other corporations or the organization of voluntary associations which may have names similar to that of the Fund or to that to which the Fund may change its name and to own all or any portion of the shares of such other corporations or associations and to enter into contractual relationships with such other corporations or associations, subject to any requisite approval of a majority of the Fund's shareholders and the Securities and Exchange Commission and subject to the payment of a reasonable amount to be determined at the time of use, and the Fund agrees to give and execute any such formal consents or agreements as may be necessary in connection therewith.

VII. This Agreement may be amended at any time by a writing signed by the parties hereto.

VIII. The Declaration of Trust establishing the Fund, dated January 3, 1992, a copy of which, together with all amendments thereto (the "Declaration"), is on file in the office of the Secretary of the Commonwealth of Massachusetts, provides that the name "Merrill Lynch International Equity Fund" refers to the



Trustees under the Declaration collectively as trustees, but not as individuals or personally; and no Trustee, shareholder, officer, employee or agent of the Fund shall be held to any personal liability, nor shall resort be had to their private property for the satisfaction of any obligation or claim or otherwise in connection with the affairs of the Fund, but the "Trust Property" only shall be liable.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

MERRILL LYNCH & CO., INC.

By /s/ Arthur Zeikel

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Title: Executive Vice President

MERRILL LYNCH INTERNATIONAL EQUITY FUND

By /s/ Norman R. Harvey

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Title: Senior Vice President



INDEPENDENT AUDITORS' CONSENT

Merrill Lynch International Equity Fund:

We consent to the use in Post-Effective Amendment No. 1 to Registration Statement No. 33-44917 of our report dated July 12, 1993 appearing in the Statement of Additional Information, which is a part of such Registration Statement.

/s/ Deloitte & Touche  
Deloitte & Touche  
Princeton, New Jersey  
January 14, 1994

CLASS A DISTRIBUTION PLAN  
OF  
MERRILL LYNCH INTERNATIONAL EQUITY FUND

PURSUANT TO RULE 12b-1

DISTRIBUTION PLAN made as of the 17th day of June 1993, by and between Merrill Lynch International Equity Fund, a Massachusetts business trust (the "Fund"), and Merrill Lynch Funds Distributor, Inc., a Delaware corporation ("MLFD").

W I T N E S S E T H :

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WHEREAS, the Fund intends to engage in business as an open-end investment company registered under the Investment Company Act of 1940, as amended (the "Investment Company Act"); and

WHEREAS, MLFD is a securities firm engaged in the business of selling shares of investment companies either directly to purchasers or through other securities dealers; and

WHEREAS, the Fund proposes to enter into a Class A Shares Distribution Agreement with MLFD, pursuant to which MLFD will act as the exclusive distributor and representative of the Fund in the offer and sale of Class A shares of beneficial interest, par value \$0.10 per share (the "Class A shares"), of the Fund to the public; and

WHEREAS, the Fund desires to adopt this Class A Distribution Plan (the "Plan") pursuant to Rule 12b-1 under the Investment Company Act, pursuant to which the Fund will pay an account maintenance fee to MLFD with respect to the Fund's Class A shares; and

WHEREAS, the Trustees of the Fund have determined that there is a reasonable likelihood that adoption of the Plan will benefit the Fund and its shareholders.

NOW, THEREFORE, the Fund hereby adopts, and MLFD hereby agrees to the terms of, the Plan in accordance with Rule 12b-1 under the Investment Company Act on the following terms and conditions:

1. The Fund shall pay MLFD an account maintenance fee under the Plan at the end of each month at the annual rate of 0.25% of average daily net assets of the Fund relating to Class A shares to compensate MLFD and securities firms with which MLFD enters

into related agreements ("Sub-Agreements") pursuant to Paragraph 2 hereof for providing account maintenance activities. Expenditures under the Plan may consist of payments to financial consultants for maintaining accounts in connection with Class A shares of the Fund and payment of expenses incurred in connection with such account maintenance activities including the costs of making services available to shareholders including assistance in connection with inquiries related to shareholder accounts.

2. The Fund hereby authorizes MLFD to enter into Sub-Agreements with certain securities firms ("Securities Firms"), including Merrill Lynch, Pierce, Fenner & Smith Incorporated, to provide compensation to such Securities Firms for activities of the type referred to in Paragraph 1. MLFD may reallocate all or a portion of its account maintenance fee to such Securities Firms as compensation for the above-mentioned activities. Such Sub-Agreement shall provide that the Securities Firms shall provide MLFD with such information as is reasonably necessary to permit MLFD to comply with the reporting requirements set forth in Paragraph 3 hereof.

3. MLFD shall provide the Fund for review by the Board of Trustees, and the Trustees shall review, at least quarterly, a written report complying with the requirements of Rule 12b-1

regarding the disbursement of the account maintenance fee during such period.

4. This Plan shall not take effect until it has been approved by a vote of at least a majority, as defined in the Investment Company Act, of the outstanding Class A voting securities of the Fund.

5. This Plan shall not take effect until it has been approved, together with any related agreements, by votes of a majority of both (a) the Trustees of the Fund and (b) those Trustees of the Fund who are not "interested persons" of the Fund, as defined in the Investment Company Act, and have no direct or indirect financial interest in the operation of this Plan or any agreements related to it (the "Rule 12b-1 Trustees"), cast in person at a meeting or meetings called for the purpose of voting on the Plan and such related agreements.

6. The Plan shall continue in effect for so long as such continuance is specifically approved at least annually in the manner provided for approval of the Plan in Paragraph 5.

7. The Plan may be terminated at any time by vote of a majority of the Rule 12b-1 Trustees, or by vote of a majority of the outstanding Class A voting securities of the Fund.

8. The Plan may not be amended to increase materially the rate of payments provided for in Paragraph 1 hereof unless such amendment is approved by at least a majority, as defined in the Investment Company Act, of the outstanding Class A voting securities of the Fund, and by the Trustees of the Fund in the manner provided for in Paragraph 5 hereof, and no material amendment to the Plan shall be made unless approved in the

manner provided for approval and annual renewal in Paragraph 5 hereof.

9. While the Plan is in effect, the selection and nomination of Trustees who are not interested persons, as defined in the Investment Company Act, of the Fund shall be committed to the discretion of the Trustees who are not interested persons.

10. The Fund shall preserve copies of the Plan and any related agreements and all reports made pursuant to Paragraph 3 hereof, for a period of not less than six years from the date of the Plan, or the agreements or such report, as the case may be, the first two years in an easily accessible place.

11. The Declaration of Trust establishing the Fund, dated January 3, 1992, a copy of which, together with all amendments thereto (the "Declaration"), is on file in the office of the Secretary of the Commonwealth of Massachusetts, provides that the name "Merrill Lynch International Equity Fund" refers to the Trustees under the Declaration collectively as trustees, but not as individuals or personally; and no Trustee, shareholder, officer, employee or agent of the Fund shall be held to any personal liability, nor shall resort be had to their private property for the satisfaction of any obligation or claim or otherwise in connection with the affairs of the Fund, but the "Trust Property" only shall be liable.

IN WITNESS WHEREOF, the parties hereto have executed this Distribution Plan as of the date first above written.

MERRILL LYNCH INTERNATIONAL EQUITY FUND

By /s/ Norman R. Harvey  
-----  
Title: Senior Vice President

MERRILL LYNCH FUNDS DISTRIBUTOR, INC.

By /s/ Gerald M. Richard  
-----  
Title: Treasurer

CLASS A SHARES DISTRIBUTION PLAN SUB-AGREEMENT

AGREEMENT made as of the 17th day of June 1993, by and between Merrill Lynch Funds Distributor, Inc. a Delaware corporation ("MLFD"), and Merrill Lynch, Pierce, Fenner & Smith Incorporated, a Delaware corporation ("Securities Firm").

W I T N E S S E T H :

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WHEREAS, MLFD has entered into an agreement with Merrill Lynch International Equity Fund, a Massachusetts business trust (the "Fund"), pursuant to which it acts as the exclusive distributor for the sale of Class A shares of beneficial interest, par value \$0.10 per share (the "Class A shares"), of the Fund; and

WHEREAS, MLFD and the Fund have entered into a Class A Shares Distribution Plan (the "Plan") pursuant to Rule 12b-1 under the Investment Company Act of 1940, as amended (the "Act"), pursuant to which MLFD receives a distribution fee from the Fund at the annual rate of 0.25% of average daily net assets of the Fund relating to Class A shares for providing account maintenance activities and services with respect to Class A shares; and

WHEREAS, MLFD desires the Securities Firm to perform certain account maintenance activities and services, including assistance in connection with inquiries related to shareholder accounts, for the Fund's Class A shareholders and the Securities Firm is willing to perform such services;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties hereby agree as follows:

1. The Securities Firm shall provide account maintenance activities and services with respect to the sale of the Class A shares of the Fund, and incur distribution expenditures, of the types referred to in Paragraph 1 of the Plan.



2. As compensation for its services performed under this Agreement, MLFD shall pay the Securities Firm a fee at the end of each calendar month in an amount agreed upon by the parties hereto.

3. The Securities Firm shall provide MLFD, at least quarterly, such information as reasonably requested by MLFD to enable MLFD to comply with the reporting requirements of Rule 12b-1 regarding the disbursement of the fee during such period referred to in Paragraph 3 of the Plan.

4. This Agreement shall not take effect until it has been approved by votes of a majority of both (a) the Trustees of the Fund and (b) those Trustees of the Fund who are not "interested persons" of the Fund, as defined in the Act, and have no direct or indirect financial interest in the operation of the Plan, this Agreement or any agreements related to the Plan or this Agreement (the "Rule 12b-1 Trustees"), cast in person at a meeting or meetings called for the purpose of voting on this Agreement.

5. This Agreement shall continue in effect for as long as such continuance is specifically approved at least annually in the manner provided for approval of the Plan in Paragraph 5.

6. This Agreement shall automatically terminate in the event of its assignment or in the event of the termination of the Plan or any amendment to the Plan that requires such termination.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date first above written.

MERRILL LYNCH FUNDS DISTRIBUTOR, INC.

By /s/ Gerald M. Richard

-----  
Vice President

MERRILL LYNCH, PIERCE, FENNER & SMITH  
INCORPORATED

By /s/ David C. Conine

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Vice President

CLASS B DISTRIBUTION PLAN  
OF  
MERRILL LYNCH INTERNATIONAL EQUITY FUND

PURSUANT TO RULE 12b-1

DISTRIBUTION PLAN made as of the 17th day of June 1993, by and between Merrill Lynch International Equity Fund, a Massachusetts business trust (the "Fund"), and Merrill Lynch Funds Distributor, Inc., a Delaware corporation ("MLFD").

W I T N E S S E T H :

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WHEREAS, the Fund intends to engage in business as an open-end investment company registered under the Investment Company Act of 1940, as amended (the "Investment Company Act"); and

WHEREAS, MLFD is a securities firm engaged in the business of selling shares of investment companies either directly to purchasers or through other securities dealers; and

WHEREAS, the Fund proposes to enter into a Class B Shares Distribution Agreement with MLFD, pursuant to which MLFD will act as the exclusive distributor and representative of the Fund in the offer and sale of Class B shares of beneficial interest, par value \$0.10 per share (the "Class B shares"), of the Fund to the public; and

WHEREAS, the Fund desires to adopt this Class B Distribution Plan (the "Plan") pursuant to Rule 12b-1 under the Investment Company Act, pursuant to which the Fund will pay an account maintenance fee and a distribution fee to MLFD with respect to the Fund's Class B shares; and

WHEREAS, the Trustees of the Fund have determined that there is a reasonable likelihood that adoption of the Plan will benefit the Fund and its shareholders.

NOW, THEREFORE, the Fund hereby adopts, and MLFD hereby agrees to the terms of, the Plan in accordance with Rule 12b-1 under the Investment Company Act on the following terms and conditions:

1. The Fund shall pay MLFD an account maintenance fee under the Plan at the end of each month at the annual rate of 0.25% of average daily net assets of the Fund relating to Class B shares to compensate MLFD and securities firms with which MLFD enters

into related agreements pursuant to Paragraph 3 hereof ("Sub-Agreements") for account maintenance activities with respect to Class B shareholders of the Fund.

2. The Fund shall pay MLFD a distribution fee under the Plan at the end of each month at the annual rate of 0.75% of average daily net assets of the Fund relating to Class B shares to compensate MLFD and securities firms with which MLFD enters into related Sub-Agreements for providing sales and promotional activities and services. Such activities and services will relate to the sale, promotion and marketing of the Class B shares of the Fund. Such expenditures may consist of sales commissions to financial consultants for selling Class B shares of the Fund, compensation, sales incentives and payments to sales and marketing personnel, and the payment of expenses incurred in its sales and promotional activities, including advertising expenditures related to the Fund and the costs of preparing and distributing promotional materials. The distribution fee may also be used to pay the financing costs of carrying the unreimbursed expenditures described in this Paragraph 2. Payment of the distribution fee described in this Paragraph 2 shall be subject to any limitations set forth in any applicable regulation of the National Association of Securities Dealers, Inc.

3. The Fund hereby authorizes MLFD to enter into Sub-Agreements with certain securities firms ("Securities Firms"), including Merrill Lynch, Pierce, Fenner & Smith Incorporated, to provide compensation to such Securities Firms for activities and services of the type referred to in Paragraphs 1 and 2 hereof. MLFD may reallocate all or a portion of its account maintenance fee or distribution fee to such Securities Firms as compensation for the above-mentioned activities and services. Such Sub-Agreement shall provide that the Securities Firms shall provide MLFD with such information as is reasonably necessary to permit MLFD to comply with the reporting requirements set forth in Paragraph 4 hereof.

4. MLFD shall provide the Fund for review by the Board of Trustees, and the Trustees shall review, at least quarterly, a written report complying with the requirements of Rule 12b-1 regarding the disbursement of the account maintenance fee and the distribution fee during such period.

5. This Plan shall not take effect until it has been approved by a vote of at least a majority, as defined in the Investment Company Act, of the outstanding Class B voting securities of the Fund.

6. This Plan shall not take effect until it has been approved, together with any related agreements, by votes of a

majority of both (a) the Trustees of the Fund and (b) those Trustees of the Fund who are not "interested persons" of the Fund, as defined in the Investment Company Act, and have no direct or indirect financial interest in the operation of this Plan or any agreements related to it (the "Rule 12b-1 Trustees"), cast in person at a meeting or meetings called for the purpose of voting on the Plan and such related agreements.

7. The Plan shall continue in effect for so long as such continuance is specifically approved at least annually in the manner provided for approval of the Plan in Paragraph 6.

8. The Plan may be terminated at any time by vote of a majority of the Rule 12b-1 Trustees, or by vote of a majority of the outstanding Class B voting securities of the Fund.

9. The Plan may not be amended to increase materially the rate of payments provided for herein unless such amendment is approved by at least a majority, as defined in the Investment Company Act, of the outstanding Class B voting securities of the Fund, and by the Trustees of the Fund in the manner provided for in Paragraph 6 hereof, and no material amendment to the Plan shall be made unless approved in the manner provided for approval and annual renewal in Paragraph 6 hereof.

10. While the Plan is in effect, the selection and nomination of Trustees who are not interested persons, as defined in the Investment Company Act, of the Fund shall be committed to the discretion of the Trustees who are not interested persons.

11. The Fund shall preserve copies of the Plan and any related agreements and all reports made pursuant to Paragraph 4 hereof, for a period of not less than six years from the date of the Plan, or the agreements or such report, as the case may be, the first two years in an easily accessible place.

12. The Declaration of Trust establishing the Fund, dated January 3, 1992, a copy of which, together with all amendments thereto (the "Declaration"), is on file in the office of the Secretary of the Commonwealth of Massachusetts, provides that the name "Merrill Lynch International Equity Fund" refers to the Trustees under the Declaration collectively as trustees, but not as individuals or personally; and no Trustee, shareholder, officer, employee or agent of the Fund shall be held to any personal liability, nor shall resort be had to their private property for the satisfaction of any obligation or claim or otherwise in connection with the affairs of the Fund, but the "Trust Property" only shall be liable.

IN WITNESS WHEREOF, the parties hereto have executed this Distribution Plan as of the date first above written.

MERRILL LYNCH INTERNATIONAL EQUITY FUND

By /s/ Norman R. Harvey

-----  
Title: Senior Vice President

MERRILL LYNCH FUNDS DISTRIBUTOR, INC.

By /s/ Gerald M. Richard

-----  
Title: Treasurer

CLASS B SHARES DISTRIBUTION PLAN SUB-AGREEMENT

AGREEMENT made as of the 17th day of June 1993, by and between Merrill Lynch Funds Distributor, Inc., a Delaware corporation ("MLFD"), and Merrill Lynch, Pierce, Fenner & Smith Incorporated, a Delaware corporation ("Securities Firm").

W I T N E S S E T H :

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WHEREAS, MLFD has entered into an agreement with Merrill Lynch International Equity Fund, a Massachusetts business trust (the "Fund"), pursuant to which it acts as the exclusive distributor for the sale of Class B shares of beneficial interest, par value \$0.10 per share (the "Class B shares"), of the Fund; and

WHEREAS, MLFD and the Fund have entered into a Class B Shares Distribution Plan (the "Plan") pursuant to Rule 12b-1 under the Investment Company Act of 1940, as amended (the "Act"),



pursuant to which MLFD receives an account maintenance fee from the Fund at the annual rate of 0.25% of average daily net assets of the Fund relating to Class B shares for account maintenance activities related to Class B shares of the Fund and a distribution fee from the Fund at the annual rate of 0.75% of average daily net assets of the Fund relating to Class B shares for providing sales and promotional activities and services related to the distribution of Class B shares; and

WHEREAS, MLFD desires the Securities Firm to perform certain account maintenance activities and sales and promotional activities and services for the Fund's Class B shareholders and the Securities Firm is willing to perform such activities and services;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties hereby agree as follows:

1. The Securities Firm shall provide account maintenance activities with respect to the Class B shares of the Fund of the types referred to in Paragraph 1 of the Plan.

2. The Securities Firm shall provide sales and promotional activities and services with respect to the sale of the Class B shares of the Fund, and incur distribution expenditures, of the types referred to in Paragraph 2 of the Plan.

3. As compensation for its activities and services performed under this Agreement, MLFD shall pay the Securities Firm an account maintenance fee and a distribution fee at the end

of each calendar month in an amount agreed upon by the parties hereto.

4. The Securities Firm shall provide MLFD, at least quarterly, such information as reasonably requested by MLFD to enable MLFD to comply with the reporting requirements of Rule 12b-1 regarding the disbursement of the account maintenance fee and the distribution fee during such period referred to in Paragraph 4 of the Plan.

5. This Agreement shall not take effect until it has been approved by votes of a majority of both (a) the Trustees of the Fund and (b) those Trustees of the Fund who are not "interested persons" of the Fund, as defined in the Act, and have no direct or indirect financial interest in the operation of the Plan, this Agreement or any agreements related to the Plan or this Agreement (the "Rule 12b-1 Trustees"), cast in person at a meeting or meetings called for the purpose of voting on this Agreement.

6. This Agreement shall continue in effect for as long as such continuance is specifically approved at least annually in the manner provided for approval of the Plan in Paragraph 6.

7. This Agreement shall automatically terminate in the event of its assignment or in the event of the termination of the Plan or any amendment to the Plan that requires such termination.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the date first above written.

MERRILL LYNCH FUNDS DISTRIBUTOR, INC.

By /s/ Norman R. Harvey  
-----  
Title: Senior Vice President

MERRILL LYNCH, PIERCE, FENNER & SMITH  
INCORPORATED

By /s/ Gerald M. Richard  
-----  
Title: Treasurer



## EXHIBIT 16

International Equity - Class A  
7/30/93 - 11/30/93

	Since Inception Avg Annual Return -----	Since Inception Total Return* -----
Initial Investment	\$1,000.00	\$1,000.00
Divided by Initial Maximum Offering Price	10.70 -----	
Divided by Net Asset Value		10.00 -----
Equals Shares Purchased	93.50	100.00
Plus Shares Acquired through Dividend Reinvestment	0.00 -----	0.00 -----
Equals Shares Held at 11/30/93	93.50	100.00
Multiplied by Net Asset Value at 11/30/93	10.31 -----	10.31 -----
Equals Ending Redeemable Value at \$1000 Investment (ERV) at 11/30/93	\$963.99	\$1,031.00
Divided by \$1,000 (P)	0.9640	1.0310
Subtract 1	-0.0360	0.0310
Expressed as a percentage equals the Aggregate Total Return for the Period (T)	-3.60% =====	
Expressed as a percentage equals the Aggregate Total Return for the Period		3.10% =====
ERV divided by P	0.9640	
Raise to the power of	2.9678	
Equals	0.8969	
Subtract 1	-0.1031	
Expressed as a percentage equals the Average Annualized Total Return	-10.31% =====	

\* Does not include sales charge for the period.

EXHIBIT 16

International Equity - Class B  
7/30/93 - 11/30/93

	Since Inception Avg Annual Return -----	Since Inception Total Return* -----
Initial Investment	\$1,000.00	\$1,000.00
Divided by Net Asset Value	10.00 -----	10.00 -----
Equals Shares Purchased	100.00	100.00
Plus Shares Acquired through Dividend Reinvestment	0.00 -----	0.00 -----
Equals Shares Held at 11/30/93	100.00	100.00
Multiplied by Net Asset Value at 11/30/93	10.29 -----	10.29 -----
Equals Ending Value before deduction for contingent deferred sales charge	1,029.00	1,029.00
Less deferred sales charge	(40.00) -----	0.00 -----
Equals Ending Redeemable Value at \$1000 Investment (ERV)	\$989.00 -----	\$1,029.00 -----
Divided by \$1,000 (P)	0.9890	1.0290
Subtract 1	-0.0110	0.0290
Expressed as a percentage equals the Aggregate Total Return for the Period (T)	-1.10% =====	
Expressed as a percentage equals the Aggregate Total Return for the Period		2.90% =====
ERV divided by P	0.9890	
Raise to the power of	2.9675	

Equals	0.9677
Subtract 1	-0.0323
Expressed as a percentage equals the Average Annualized Total Return	-3.23%
	=====

\* Does not include sales charge for the period.

APPENDIX OF GRAPHIC AND IMAGE MATERIAL

Pursuant to Rule 304 of Regulation S-T, the following table presents fair and accurate narrative descriptions of graphic and image material omitted from this EDGAR Submission File due to ASCII-incompatibility and cross-references this material to the location of each occurrence in the text.

DESCRIPTION OF OMITTED GRAPHIC OR IMAGE -----	LOCATION OF GRAPHIC OR IMAGE IN TEXT -----
Various flags against sky .....	Back cover of Prospectus and back cover of Statement of Additional Information