

# SECURITIES AND EXCHANGE COMMISSION

## FORM N-CSRS

Certified semi-annual shareholder report of registered management investment companies filed on  
Form N-CSR

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#### **MERRILL LYNCH FUNDAMENTAL GROWTH FUND INC**

CIK: **887509** | IRS No.: **223186366** | State of Incorpor.: **NJ** | Fiscal Year End: **0831**  
Type: **N-CSRS** | Act: **40** | File No.: **811-06669** | Film No.: **05788407**

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM N-CSRS

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT  
COMPANIES

Investment Company Act file number 811-06669

Name of Fund: Merrill Lynch Fundamental Growth Fund, Inc.

Fund Address: P.O. Box 9011  
Princeton, NJ 08543-9011

Name and address of agent for service: Robert C. Doll, Jr., Chief  
Executive Officer, Merrill Lynch Fundamental Growth Fund,  
Inc., 800 Scudders Mill Road, Plainsboro, NJ, 08536. Mailing  
address: P.O. Box 9011, Princeton, NJ, 08543-9011

Registrant's telephone number, including area code: (609) 282-2800

Date of fiscal year end: 08/31/05

Date of reporting period: 09/01/04 - 02/28/05

Item 1 - Report to Stockholders

Merrill Lynch  
Fundamental Growth  
Fund, Inc.

Semi-Annual Report  
February 28, 2005

(BULL LOGO) Merrill Lynch Investment Managers  
[www.mlim.ml.com](http://www.mlim.ml.com)

Mercury Advisors  
A Division of Merrill Lynch Investment Managers  
[www.mercury.ml.com](http://www.mercury.ml.com)

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

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available (1) without charge, upon request, by calling toll-free 1-800-MER-FUND (1-800-637-3863); (2) at [www.mutualfunds.ml.com](http://www.mutualfunds.ml.com); and (3) on the Securities and Exchange Commission's Web site at <http://www.sec.gov>. Information about how the Fund voted proxies relating to securities held in the Fund's portfolio during the most recent 12-month period ended June 30 is available (1) at [www.mutualfunds.ml.com](http://www.mutualfunds.ml.com) and (2) on the Securities and Exchange Commission's Web site at <http://www.sec.gov>.

Merrill Lynch Fundamental Growth Fund, Inc.  
Box 9011  
Princeton, NJ  
08543-9011

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## A Letter From the President

Dear Shareholder

Financial markets broadly posted positive returns over the most recent reporting period, with international equities providing some of the most impressive results.

<TABLE>  
<CAPTION>

| Total Returns as of February 28, 2005                           | 6-month | 12-month |
|---|---------|----------|
| <S>   | <C>     | <C>      |
| U.S. equities (Standard & Poor's 500 Index)                     | + 9.99% | + 6.98%  |
| International equities (MSCI Europe Australasia Far East Index) | +21.18  | +18.68   |
| Fixed income (Lehman Brothers Aggregate Bond Index)             | + 1.26  | + 2.43   |
| Tax-exempt fixed income (Lehman Brothers Municipal Bond Index)  | + 2.40  | + 2.96   |
| High yield bonds (Credit Suisse First Boston High Yield Index)  | + 7.53  | +11.21   |

</TABLE>

The U.S. economy has continued to show resilience in the face of the Federal Reserve Board's (the Fed) continued interest rate hikes and, more recently, higher oil prices. The Fed's measured tightening program recently brought the federal funds rate to 2.75% en route to a more "neutral" short-term interest rate target (relative to inflation). Since the U.S. presidential election, progress has been monitored on many fronts in Washington, although concerns remain about the structural problems of debt and deficits, as reflected by a significant decline in the U.S. dollar.

U.S. equities ended 2004 in a strong rally, but remained in a fairly narrow trading range for the first two months of 2005. Divergences were notable among sectors, with energy emerging as a clear leader. On the positive side, corporations have accelerated their hiring plans, capital spending remains reasonably robust and merger-and-acquisition activity has increased. Offsetting the positives are slowing corporate earnings growth, renewed energy price concerns and the potential for an economic slowdown. International equities, particularly in Asia, have benefited from higher economic growth rates (China recorded growth of 9.3% in 2004), stronger currencies and relatively reasonable valuations.

The major action in the bond market has been a flattening of the yield curve. As short-term interest rates continued to rise, yields on the long end of the curve remained relatively stable - even declining at certain points since the Fed's monetary tightening program began in June 2004. This phenomenon has been largely attributed to continued foreign interest in U.S. bonds, which has served to absorb much of the excess supply. By period-end, many believed long-term yields were long overdue for a rise.

Looking ahead, the environment is likely to be a challenging one for investors, with diversification and selectivity becoming increasingly important themes. With this in mind, we encourage you to meet with your financial advisor to review your goals and asset allocation and to rebalance your portfolio, as necessary, to ensure it remains aligned with your objectives and risk tolerance. As always, we thank you for trusting Merrill Lynch Investment Managers with your investment assets, and we look forward to serving you in the months and years ahead.

Sincerely,

(Robert C. Doll, Jr.)  
Robert C. Doll, Jr.  
President and Director

We are pleased to present to you the management team of

Merrill Lynch Fundamental Growth Fund, Inc.

Senior Portfolio Manager Larry Fuller joined Merrill Lynch Investment Managers in 1992 and heads the Merrill Lynch Fundamental Growth Fund team. He received a bachelor's degree from Bates College and an MBA from Columbia University. He is a member of the New York Society of Security Analysts and the American Finance Association. In addition to Mr. Fuller, the team includes Associate Portfolio Manager Tom Burke and Analysts Karen Uzzolino and Mike Oberdorf. Mr. Burke received a bachelor's degree from Pace University and is a CFA R charterholder. He is also a member of the New York Society of Security Analysts and the Association for Investment Management and Research. Ms. Uzzolino graduated from the Stuart School of Business Administration. Mr. Oberdorf holds a bachelor's degree from Georgetown University. The team has a combined 68 years of investment experience.

Larry Fuller  
Senior Portfolio Manager

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#### A Discussion With Your Fund's Portfolio Manager

The Fund significantly outperformed both its benchmarks and its Lipper category average, benefiting from favorable sector weightings and good stock selection.

How did the Fund perform during the period in light of the existing market conditions?

For the six-month period ended February 28, 2005, Merrill Lynch Fundamental Growth Fund, Inc.'s Class A, Class B, Class C, Class I and Class R Shares had total returns of +11.77%, +11.37%, +11.38%, +11.92% and +11.69%, respectively. (Fund results shown do not reflect sales charges and would be lower if sales charges were included. Complete performance information can be found on pages 6 - 8 of this report to shareholders.) The Fund outperformed the +9.99% return of the unmanaged Standard & Poor's 500 (S&P 500) Index and the +8.65% return of the S&P 500 Barra Growth Index for the same period. Fund returns also exceeded the +8.80% average return of the Lipper Large Cap Growth Funds category, which represents the performance of actively managed large cap growth funds.

The equity, bond and commodity markets were relatively volatile over the past six months. The value style of investing significantly outpaced growth for the period, while small cap stocks outperformed

their large cap counterparts.

The most significant factor in the Fund's outperformance was our overweighting of the consumer discretionary, industrials, information technology and materials sectors, and above-market exposure to selected stocks within these sectors. The top performers were Marriott International, Inc., Starwood Hotels & Resorts Worldwide Inc., Best Buy Co., Inc. and eBay, Inc. in consumer discretionary; Monster Worldwide, Inc. and PACCAR, Inc. in industrials; Oracle Corp. and Adobe Systems, Inc. in information technology; and Air Products & Chemicals, Inc. in materials.

Stock selection and underweight positions in health care and consumer staples also contributed positively to performance. In health care, relative results benefited from our negligible exposure to the major pharmaceutical companies, an area we have avoided for fundamental business reasons since May 2001. In consumer staples, our avoidance of several of the largest and best-known companies in the sector was the most meaningful contributor to performance.

The leading detractor from Fund performance was the absence of any investment in ExxonMobil Corp., which became part of the S&P 500 Barra Growth Index in December 2004 and represented a meaningful weighting (6.6%) in the benchmark by period-end. The stock price appreciated more than 23% in February 2005.

What changes were made to the portfolio during the period?

We made several adjustments to the portfolio in response to changes in the relative valuations and business fundamentals of the companies we own. In the consumer discretionary sector, valuations rose while growth of U.S. consumer spending gradually slowed. In response, we liquidated our positions at profits in Best Buy, eBay, Nike, Inc. and Lowe's Companies, Inc. We also substantially reduced our weighting in Coach, Inc. due to its relatively high valuation, although the longer-term business prospects look very good. We sold Rent-A-Center, Inc. and IAC/Interactive Corp. based on deteriorating business fundamentals.

In the health care sector, we initiated positions in companies that we believe could benefit as federal and state governments endeavor to change the U.S. healthcare delivery system. We added Zimmer Holdings, Inc. and St. Jude Medical, Inc. based on our belief that federal reimbursement programs will favor medical devices focused on rehabilitation and prevention of major cardiac problems that may lead to permanent disability. We added to our positions in WellPoint, Inc. and UnitedHealth Group, Inc., as we believe governments will make a major effort to move Medicaid and Medicare subscribers to private HMO plans over the next several years. We added Caremark Rx, Inc. to the portfolio in light of both public and private sector policies to move to mail order drug plans. We sold Forest Laboratories, Inc. at a capital loss given our growing concerns about the collapse of the company's anti-depressant drug franchise, which might not be offset by its growing franchise in the Alzheimer's drug market.

In the industrials sector, we liquidated our positions at profits in Monster, PACCAR, Rockwell Automation, Inc., Cummins, Inc., Eaton Corp., Robert Half International, Inc. and Emerson Electric Co. - all based on relatively high valuations. We added positions in Boeing Co., Lockheed Martin Corp., Deere & Co. and Caterpillar, Inc. In our opinion, the dramatic decline in the value of the U.S. dollar over the past two years puts U.S. manufacturers of aerospace and agricultural and industrial construction equipment in a position to grow by taking market share from manufacturers in Europe and Asia. Our exposure to this sector, as well as to health care, has increased over the past six months.

MERRILL LYNCH FUNDAMENTAL GROWTH FUND, INC., FEBRUARY 28, 2005

In contrast, we meaningfully reduced the Fund's exposure to the information technology sector, selling out positions as the stocks rose about twice as much as our benchmark in the fourth quarter of 2004 and into January on the basis of very good earnings reports. We liquidated our positions in Oracle, Adobe, Cisco Systems, Inc.,

Hewlett-Packard Co., Lucent Technologies Inc., Texas Instruments Inc., Motorola, Inc., Tektronix, Inc., Canon Inc., Avaya Inc., Agilent Technologies Inc., Analog Devices, Inc. and SanDisk Corp. The Fund ended the period with an underweight exposure in the information technology sector. We are concerned that there is too much capacity to produce technology products across the board on a global basis. In addition, Chinese and other Asian companies are becoming the most aggressive competitors with a threshold for profitability that is lower than their U.S. counterparts. This does not appear to be a formula for materially higher profits, profitability and higher stock valuations for most U.S. technology companies.

In the materials sector, we shifted our focus from metals and mining to chemicals by selling Phelps Dodge Corp. and Freeport-McMoRan Copper & Gold, Inc. and adding Air Products, The Dow Chemical Co., Praxair, Inc. and E.I. DuPont de Nemours & Co. We are concerned about the pricing and profitability of metals companies in 2005 as new mining capacity is developed around the globe. On the other hand, the decline in the U.S. dollar enhances the competitive position and profit growth of U.S. companies in the industrial chemicals and gases businesses.

For the first time in several years, we increased the Fund's exposure to the financials sector, adding positions in Franklin Resources, Inc., Bank of America Corp., Washington Mutual, Inc., Citigroup, Inc., U.S. Bancorp, Doral Financial Corp. and MBNA Corp. Although the continued increase in the federal funds rate will put a crimp on lending margins, we believe the recent acceleration of both commercial and consumer loan demand will offset the impact of narrower margins. The majority of these financial services companies have relatively high dividend yields to cushion the downside of stock prices as the Federal Reserve Board (the Fed) continues to raise short-term interest rates.

In the energy sector, we took profits on many of the Fund's holdings in exploration and development companies, selling Devon Energy Corp., Apache Corp., Pioneer Natural Resources Inc. and Occidental Petroleum Corp. Given the recent upturn in the stock prices of almost all energy companies, it appears investors have recognized the tremendous earnings growth of the S&P energy companies over the past year. However, the increase in interest rates over the past nine months, as well as higher energy costs, are more likely to slow economic growth and cause lower energy prices and lower earnings. Consequently, we have taken a cautionary view toward energy companies dependent on energy prices over the intermediate term. The Fund still has a meaningful exposure to the major companies that provide the logistical intelligence, equipment and services for private companies and governments to explore and develop new energy reserves, which are obviously scarce. We have had a positive secular view toward the energy sector during this decade. However, when global economies experience a slowdown in real growth or a recession, as occurred in the United States in 2001, energy prices fall and the stocks generally decline.

How would you characterize the Fund's position at the close of the period?

The Fund is positioned for a slowdown in U.S. economic growth. We ended the period overweight in the industrials sector, assuming a continuation of capital investment programs in the United States and Asia, particularly China. U.S. manufacturers of industrial goods as well as chemicals and gases should benefit from their increased competitive position in the global markets.

Our focus in the consumer discretionary sector is on companies in the services and entertainment segments, which we believe could do well as consumers spend more on these services rather than on motor vehicles, consumer electronics and home appliances. In the energy sector, we expect a continued ramp-up of corporate and government spending on exploration and development of new energy reserves. We have anticipated this type of development for more than two years given the substantial demand for energy and material goods from the Chinese economy. Finally, a slowdown in consumer spending could cause the Fed to stop or change the direction of its monetary restraint program, which would benefit the large banks, savings and loans, and credit card companies in the financial sector of the Fund's portfolio.

Lawrence R. Fuller  
Vice President and Portfolio Manager

March 24, 2005

MERRILL LYNCH FUNDAMENTAL GROWTH FUND, INC., FEBRUARY 28, 2005

Performance Data

About Fund Performance

Investors are able to purchase shares of the Fund through multiple pricing alternatives:

\* Class A Shares incur a maximum initial sales charge (front-end load) of 5.25% and an account maintenance fee of 0.25% per year (but no distribution fee).

\* Class B Shares are subject to a maximum contingent deferred sales charge of 4% declining to 0% after six years. All Class B Shares purchased prior to June 1, 2001 will maintain the four-year schedule. In addition, Class B Shares are subject to a distribution fee of 0.75% per year and an account maintenance fee of 0.25% per year. These shares automatically convert to Class A Shares after approximately eight years. (There is no initial sales charge for automatic share conversions). All returns for periods greater than eight years reflect this conversion.

\* Class C Shares are subject to a distribution fee of 0.75% per year and an account maintenance fee of 0.25% per year. In addition, Class C Shares are subject to a 1% contingent deferred sales charge if redeemed within one year of purchase.

\* Class I Shares incur a maximum initial sales charge (front-end load) of 5.25% and bear no ongoing distribution or account maintenance fees. Class I Shares are available only to eligible investors, as detailed in the Fund's prospectus.

\* Class R Shares do not incur a maximum sales charge (front-end load) or deferred sales charge. These shares are subject to a distribution fee of 0.25% per year and an account maintenance fee of 0.25% per year. Class R Shares are available only to certain retirement plans.

None of the past results shown should be considered a representation of future performance. Current performance may be lower or higher than the performance data quoted. Refer to [www.mlim.ml.com](http://www.mlim.ml.com) to obtain performance data current to the most recent month-end. Performance results do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares. Figures shown in each of the following tables assume reinvestment of all dividends and capital gain distributions, if any, at net asset value on the ex-dividend date. Investment return and principal value of shares will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Dividends paid to each class of shares will vary because of the different levels of account maintenance, distribution and transfer agency fees applicable to each class, which are deducted from the income available to be paid to shareholders.

MERRILL LYNCH FUNDAMENTAL GROWTH FUND, INC., FEBRUARY 28, 2005

Performance Data (continued)

<TABLE>

Recent Performance Results

<CAPTION>

| As of February 28, 2005                          | 6-Month      | 12-Month     | 10-Year/<br>Since Inception |
|--|--------------|--------------|-----------------------------|
| <S>  | Total Return | Total Return | Total Return                |
| <S>  | <C>          | <C>          | <C>                         |
| ML Fundamental Growth Fund, Inc. Class A Shares* | +11.77%      | +3.14%       | +163.75%                    |
| ML Fundamental Growth Fund, Inc. Class B Shares* | +11.37       | +2.35        | +147.82                     |
| ML Fundamental Growth Fund, Inc. Class C Shares* | +11.38       | +2.34        | +143.84                     |
| ML Fundamental Growth Fund, Inc. Class I Shares* | +11.92       | +3.43        | +170.76                     |
| ML Fundamental Growth Fund, Inc. Class R Shares* | +11.69       | +2.90        | + 31.49                     |
| S&P 500 R Index**                                | + 9.99       | +6.98        | +192.12/+37.62              |
| S&P 500/Barra Growth Index***                    | + 8.65       | +3.51        | +177.10/+28.91              |

\* Investment results shown do not reflect sales charges; results shown would be lower if a sales charge was included. Cumulative total investment returns are based on changes in net asset values for the periods shown, and assume reinvestment of all dividends and capital gains distributions at net asset value on the ex-dividend date. The Fund's 10-year/since inception periods are 10 years for Class A, Class B, Class C and Class I Shares and from 1/03/03 for Class R Shares.

\*\* This unmanaged Index covers 500 industrial, utility, transportation and financial companies of the U.S. markets (mostly NYSE issues) representing about 75% of NYSE market capitalization and 30% of NYSE issues. Ten-year/since inception total returns are for 10 years and from 1/03/03.

\*\*\* This unmanaged Index is a capitalization-weighted index of all the stocks in the Standard & Poor's 500 Index that have higher price-to-book ratios. Ten-year/since inception total returns are for 10 years and from 1/03/03.

S&P 500 is a registered trademark of the McGraw-Hill Companies.

</TABLE>

MERRILL LYNCH FUNDAMENTAL GROWTH FUND, INC., FEBRUARY 28, 2005

Performance Data (concluded)

Average Annual Total Return

|                          | Return Without<br>Sales Charge | Return With<br>Sales Charge** |
|--------------------------|--------------------------------|-------------------------------|
| Class A Shares*          |                                |                               |
| One Year Ended 2/28/05   | + 3.14%                        | -2.28%                        |
| Five Years Ended 2/28/05 | - 8.21                         | -9.20                         |
| Ten Years Ended 2/28/05  | +10.18                         | +9.59                         |

\* Maximum sales charge is 5.25%.

\*\* Assuming maximum sales charge.

|                          | Return Without<br>CDSC | Return With<br>CDSC** |
|--------------------------|------------------------|-----------------------|
| Class B Shares*          |                        |                       |
| One Year Ended 2/28/05   | +2.35%                 | -1.65%                |
| Five Years Ended 2/28/05 | -8.92                  | -9.26                 |
| Ten Years Ended 2/28/05  | +9.50                  | +9.50                 |

\* Maximum contingent deferred sales charge is 4% and is reduced to 0% after six years.

\*\* Assuming payment of applicable contingent deferred sales charge.

|                          | Return Without<br>CDSC | Return With<br>CDSC** |
|--------------------------|------------------------|-----------------------|
| Class C Shares*          |                        |                       |
| One Year Ended 2/28/05   | +2.34%                 | +1.34%                |
| Five Years Ended 2/28/05 | -8.93                  | -8.93                 |
| Ten Years Ended 2/28/05  | +9.32                  | +9.32                 |

\* Maximum contingent deferred sales charge is 1% and is reduced to 0% after one year.



\*\* Assuming payment of applicable contingent deferred sales charge.

|                          | Return Without<br>Sales Charge | Return With<br>Sales Charge** |
|--------------------------|--------------------------------|-------------------------------|
| Class I Shares*          |                                |                               |
| One Year Ended 2/28/05   | + 3.43%                        | -2.00%                        |
| Five Years Ended 2/28/05 | - 7.98                         | -8.96                         |
| Ten Years Ended 2/28/05  | +10.47                         | 9.88                          |

\* Maximum sales charge is 5.25%.

\*\* Assuming maximum sales charge.

| Class R Shares                      | Return  |
|-------------------------------------|---------|
| One Year Ended 2/28/05              | + 2.90% |
| Inception (1/03/03) through 2/28/05 | +13.56  |

MERRILL LYNCH FUNDAMENTAL GROWTH FUND, INC., FEBRUARY 28, 2005

#### Disclosure of Expenses

Shareholders of this Fund may incur the following charges:

(a) expenses related to transactions, including sales charges, redemption fees and exchange fees; and (b) operating expenses including advisory fees, distribution fees including 12(b)-1 fees, and other Fund expenses. The following example (which is based on a hypothetical investment of \$1,000 invested on September 1, 2004 and held through February 28, 2005) is intended to assist shareholders both in calculating expenses based on an investment in the Fund and in comparing these expenses with similar costs of investing in other mutual funds.

The first table below provides information about actual account values and actual expenses. In order to estimate the expenses a shareholder paid during the period covered by this report, shareholders can divide their account value by \$1,000 and then multiply the result by the number in the first line under the heading entitled "Expenses Paid During the Period."

The second table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses. In order to assist shareholders in comparing the ongoing expenses of investing in this Fund and other funds, compare the 5% hypothetical example with the 5% hypothetical examples that appear in other funds' shareholder reports.

The expenses shown in the table are intended to highlight shareholders ongoing costs only and do not reflect any transactional expenses, such as sales charges, redemption fees or exchange fees. Therefore, the second table is useful in comparing ongoing expenses only, and will not help shareholders determine the relative total expenses of owning different funds. If these transactional expenses were included, shareholder expenses would have been higher.

<TABLE>

<CAPTION>

|         | Beginning<br>Account Value<br>September 1,<br>2004 | Ending<br>Account Value<br>February 28,<br>2005 | Expenses Paid<br>During the Period*<br>September 1, 2004<br>to February 28,<br>2005 |
|---------|--|---|---|
| <S>     | <C>  | <C>   | <C>   |
| Actual  |  |   |   |
| Class A | \$1,000  | \$1,117.70                                      | \$ 6.09   |
| Class B | \$1,000  | \$1,113.70                                      | \$10.17   |
| Class C | \$1,000  | \$1,113.80                                      | \$10.22   |
| Class I | \$1,000  | \$1,119.20                                      | \$ 4.78   |
| Class R | \$1,000  | \$1,116.90                                      | \$ 7.40   |

Hypothetical (5% annual return before expenses)\*\*

|         |         |            |         |
|---------|---------|------------|---------|
| Class A | \$1,000 | \$1,019.05 | \$ 5.81 |
| Class B | \$1,000 | \$1,015.18 | \$ 9.69 |
| Class C | \$1,000 | \$1,015.13 | \$ 9.74 |
| Class I | \$1,000 | \$1,020.29 | \$ 4.56 |
| Class R | \$1,000 | \$1,017.81 | \$ 7.05 |

\* For each class of the Fund, expenses are equal to the annualized expense ratio for the class (1.16% for Class A, 1.94% for Class B, 1.95% for Class C, .91% for Class I and 1.41% for Class R), multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period shown).

\*\* Hypothetical 5% annual return before expenses is calculated by pro-rating the number of days in the most recent fiscal half-year divided by 365.

</TABLE>

MERRILL LYNCH FUNDAMENTAL GROWTH FUND, INC., FEBRUARY 28, 2005

<TABLE>

Schedule of Investments

(in U.S. dollars)

<CAPTION>

| Industry++                           | Shares Held | Common Stocks                           | Value         |
|--------------------------------------|-------------|---|---------------|
| <S>                                  | <C>         | <S>                                     | <C>           |
| Aerospace & Defense--2.5%            | 1,207,400   | Boeing Co.                              | \$ 66,370,778 |
|                                      | 1,116,100   | Lockheed Martin Corp. (b)               | 66,095,442    |
|                                      |             |   | -----         |
|                                      |             |   | 132,466,220   |
| Beverages--1.6%                      | 1,599,900   | PepsiCo, Inc.                           | 86,170,614    |
| Biotechnology--3.3%                  | 1,897,700   | Celgene Corp. (b) (e)                   | 51,949,537    |
|                                      | 3,597,700   | Gilead Sciences, Inc. (e)               | 124,300,535   |
|                                      |             |   | -----         |
|                                      |             |   | 176,250,072   |
| Capital Markets--1.2%                | 884,400     | Franklin Resources, Inc. (b)            | 62,076,036    |
| Chemicals--7.7%                      | 1,362,900   | Air Products & Chemicals, Inc. (b)      | 85,344,798    |
|                                      | 2,551,400   | The Dow Chemical Co.                    | 140,709,710   |
|                                      | 1,621,100   | E.I. Du Pont de Nemours & Co. (b)       | 86,404,630    |
|                                      | 1,814,200   | Praxair, Inc.                           | 81,330,586    |
|                                      | 293,000     | Sigma-Aldrich Corp. (b)                 | 18,051,730    |
|                                      |             |   | -----         |
|                                      |             |   | 411,841,454   |
| Commercial Banks--2.5%               | 1,671,100   | Bank of America Corp. (b)               | 77,956,815    |
|                                      | 1,909,300   | U.S. Bancorp                            | 56,801,675    |
|                                      |             |   | -----         |
|                                      |             |   | 134,758,490   |
| Communications Equipment--2.3%       | 5,700,900   | Corning, Inc. (e)                       | 65,389,323    |
|                                      | 1,901,400   | Telefonaktiebolaget LM Ericsson (a) (b) | 55,730,034    |
|                                      |             |   | -----         |
|                                      |             |   | 121,119,357   |
| Consumer Finance--0.9%               | 2,010,900   | MBNA Corp.                              | 51,016,533    |
| Diversified Financial Services--1.0% | 1,176,700   | Citigroup, Inc.                         | 56,152,124    |
| Energy Equipment & Services--7.4%    | 269,000     | BJ Services Co.                         | 13,439,240    |
|                                      | 1,366,600   | Baker Hughes, Inc. (b)                  | 64,612,848    |
|                                      | 756,600     | Grant Prideco, Inc. (e)                 | 18,279,456    |
|                                      | 1,851,100   | Halliburton Co.                         | 81,411,378    |
|                                      | 1,717,900   | Schlumberger Ltd.                       | 129,615,555   |
|                                      | 1,798,900   | Transocean, Inc. (e)                    | 87,210,672    |
|                                      |             |   | -----         |
|                                      |             |   | 394,569,149   |
| Food Products--2.3%                  | 1,840,300   | McCormick & Co., Inc.                   | 69,912,997    |
|                                      | 824,900     | Wm. Wrigley Jr. Co.                     | 54,905,344    |
|                                      |             |   | -----         |
|                                      |             |   | 124,818,341   |
| Health Care Equipment &              | 2,160,500   | Alcon, Inc. (b)                         | 186,559,175   |

|                 |           |   |             |
|-----------------|-----------|---|-------------|
| Supplies--12.7% | 3,034,300 | Boston Scientific Corp. (e)             | 99,100,238  |
|                 | 608,400   | Dentsply International, Inc. (b)        | 33,443,748  |
|                 | 682,900   | Fisher Scientific International (b) (e) | 41,417,885  |
|                 | 2,024,500 | Medtronic, Inc.                         | 105,516,940 |
|                 | 1,465,200 | St. Jude Medical, Inc. (e)              | 57,289,320  |
|                 | 1,713,200 | Varian Medical Systems, Inc. (b) (e)    | 61,555,276  |
|                 | 639,300   | Waters Corp. (e)                        | 31,229,805  |
|                 | 749,100   | Zimmer Holdings, Inc. (e)               | 64,347,690  |
|                 |           |   | -----       |
|                 |           |   | 680,460,077 |

</TABLE>

MERRILL LYNCH FUNDAMENTAL GROWTH FUND, INC., FEBRUARY 28, 2005

<TABLE>  
Schedule of Investments (continued) (in U.S. dollars)  
<CAPTION>

| Industry++<br><S>                              | Shares Held<br><C> | Common Stocks<br><S>                      | Value<br><C>  |
|--|--------------------|---|---------------|
| Health Care Providers & Services--5.5%         | 1,467,100          | Caremark Rx, Inc. (e)                     | \$ 56,160,588 |
|  | 1,439,300          | UnitedHealth Group, Inc.                  | 131,206,588   |
|  | 898,900            | WellPoint, Inc. (e)                       | 109,719,734   |
|  |                    |   | -----         |
|  |                    |   | 297,086,910   |
| Hotels, Restaurants & Leisure--8.1%            | 1,152,200          | Carnival Corp. (b)                        | 62,656,636    |
|  | 2,130,600          | Marriott International, Inc. Class A      | 136,571,460   |
|  | 1,499,700          | Starbucks Corp. (e)                       | 77,699,457    |
|  | 1,519,900          | Starwood Hotels & Resorts Worldwide, Inc. | 86,999,076    |
|  | 976,200            | Wynn Resorts Ltd. (b) (e)                 | 69,866,634    |
|  |                    |   | -----         |
|  |                    |   | 433,793,263   |
| Household Durables--1.3%                       | 551,600            | KB HOME                                   | 68,839,680    |
| Household Products--2.6%                       | 2,593,800          | Procter & Gamble Co.                      | 137,704,842   |
| IT Services--4.1%                              | 2,191,300          | Accenture Ltd. Class A (e)                | 55,987,715    |
|  | 1,486,900          | First Data Corp.                          | 60,992,638    |
|  | 784,600            | Hewitt Associates, Inc. Class A (b) (e)   | 24,118,604    |
|  | 2,379,400          | Paychex, Inc.                             | 75,974,242    |
|  |                    |   | -----         |
|  |                    |   | 217,073,199   |
| Industrial Conglomerates--12.0%                | 3,287,800          | 3M Co.                                    | 275,977,932   |
|  | 10,468,400         | General Electric Co.                      | 368,487,680   |
|  |                    |   | -----         |
|  |                    |   | 644,465,612   |
| Internet Software & Services--1.9%             | 3,094,700          | Yahoo!, Inc. (e)                          | 99,865,969    |
| Machinery--2.2%                                | 597,400            | Caterpillar, Inc.                         | 56,782,870    |
|  | 824,300            | Deere & Co.                               | 58,615,973    |
|  |                    |   | -----         |
|  |                    |   | 115,398,843   |
| Media--1.1%                                    | 2,168,300          | Walt Disney Co.                           | 60,582,302    |
| Personal Products--1.2%                        | 1,483,800          | Avon Products, Inc.                       | 63,462,126    |
| Semiconductors & Semiconductor Equipment--2.7% | 6,120,060          | Intel Corp.                               | 146,759,039   |
| Software--4.8%                                 | 10,302,500         | Microsoft Corp.                           | 259,416,950   |
| Specialty Retail--1.6%                         | 2,765,000          | Staples, Inc.                             | 87,152,800    |
| Textiles, Apparel & Luxury Goods--1.3%         | 1,215,000          | Coach, Inc. (e)                           | 67,468,950    |
| Thrifts & Mortgage Finance--1.9%               | 1,138,900          | Doral Financial Corp.                     | 45,168,774    |
|  | 1,360,200          | Washington Mutual, Inc. (b)               | 57,073,992    |
|  |                    |   | -----         |
|  |                    |   | 102,242,766   |

|  |           |  |               |
|--|-----------|--|---------------|
| Trading Companies & Distributors--1.6% | 413,000   | MSC Industrial Direct Co. Class A                                    | 13,360,550    |
|  | 3,506,000 | Wolseley Plc   | 74,874,136    |
|  |           |  | -----         |
|  |           |  | 88,234,686    |
|  |           | Total Investments in Common Stocks<br>(Cost--\$4,710,582,724)--99.3% | 5,321,246,404 |

</TABLE>

MERRILL LYNCH FUNDAMENTAL GROWTH FUND, INC., FEBRUARY 28, 2005

<TABLE>  
Schedule of Investments (concluded) (in U.S. dollars)  
<CAPTION>

| Beneficial Interest<br><C>                         | Short-Term Securities<br><S>  | Value<br><C>     |
|--|---|------------------|
| \$ 126,408,995                                     | Merrill Lynch Liquidity Series, LLC<br>Cash Sweep Series I (c)            | \$ 126,408,995   |
| 351,227,200  | Merrill Lynch Liquidity Series, LLC<br>Money Market Series (c) (d)        | 351,227,200      |
|  | Total Investments in Short-Term Securities<br>(Cost--\$477,636,195)--8.9% | 477,636,195      |
| Total Investments (Cost--\$5,188,218,919*)--108.2% |   | 5,798,882,599    |
| Liabilities in Excess of Other Assets--(8.2%)      |   | (440,886,584)    |
|  |   | -----            |
| Net Assets--100.0%                                 |   | \$ 5,357,996,015 |
|  |   | =====            |

(a) Depositary Receipts.

(b) Security, or portion of security, is on loan.

(c) Investments in companies considered to be an affiliate of the Fund (such companies are defined as "Affiliated Companies" in Section 2(a)(3) of the Investment Company Act of 1940) were as follows:

| Affiliate  | Net<br>Activity  | Interest/<br>Dividend<br>Income |
|--|------------------|---------------------------------|
| Merrill Lynch Liquidity Series,<br>LLC Cash Sweep Series I | \$ (64,896,876)  | \$ 1,824,502                    |
| Merrill Lynch Liquidity Series,<br>LLC Money Market Series | \$ (742,260,000) | \$ 259,361                      |
| Merrill Lynch Premier Institutional<br>Fund                | --               | \$ 276                          |

(d) Security was purchased with the cash proceeds from securities loans.

(e) Non-income producing security.

++ For Fund compliance purposes, "Industry" means any one or more of the industry sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or as defined by Fund management. This definition may not apply for purposes of this report, which may combine such industry sub-classifications for reporting ease.

\* The cost and unrealized appreciation (depreciation) of investments as of February 28, 2005, as computed for federal income tax purposes, were as follows:

|                               |                  |
|-------------------------------|------------------|
| Aggregate cost                | \$ 5,204,452,198 |
|                               | =====            |
| Gross unrealized appreciation | \$ 683,485,385   |
| Gross unrealized depreciation | (89,054,984)     |
|                               | -----            |
| Net unrealized appreciation   | \$ 594,430,401   |
|                               | =====            |

See Notes to Financial Statements.

</TABLE>

<TABLE>  
Statement of Assets and Liabilities  
<CAPTION>

As of February 28, 2005

| <S>  | <S>             | <C>          | <C>                     |
|--|-----------------|--------------|-------------------------|
| <b>Assets</b>  |                 |              |                         |
| Investments in unaffiliated securities, at value (including securities loaned of \$339,087,274) (identified cost--\$4,710,582,724) |                 |              | \$ 5,321,246,404        |
| Investments in affiliated securities, at value (identified cost--\$477,636,195)  |                 |              | 477,636,195             |
| Cash   |                 |              | 5,891                   |
| Receivables:   |                 |              |                         |
| Capital shares sold  | \$ 8,813,261    |              |                         |
| Dividends  | 7,530,502       |              |                         |
| Interest from affiliates   | 256,512         |              |                         |
| Securities lending   | 26,240          |              | 16,626,515              |
|  | -----           |              |                         |
| Prepaid expenses and other assets  |                 |              | 138,192                 |
|  |                 |              | -----                   |
| <b>Total assets</b>  |                 |              | <b>5,815,653,197</b>    |
|  |                 |              | -----                   |
| <b>Liabilities</b>   |                 |              |                         |
| Collateral on securities loaned, at value  |                 |              | 351,227,200             |
| Payables:  |                 |              |                         |
| Securities purchased   | 65,664,053      |              |                         |
| Capital shares redeemed  | 32,568,173      |              |                         |
| Other affiliates   | 3,240,699       |              |                         |
| Investment adviser   | 2,163,025       |              |                         |
| Distributor  | 1,967,455       |              | 105,603,405             |
|  | -----           |              |                         |
| Accrued expenses   |                 |              | 826,577                 |
|  |                 |              | -----                   |
| <b>Total liabilities</b>   |                 |              | <b>457,657,182</b>      |
|  |                 |              | -----                   |
| <b>Net Assets</b>  |                 |              |                         |
| Net assets   |                 |              | \$ 5,357,996,015        |
|  |                 |              | =====                   |
| <b>Net Assets Consist of</b>   |                 |              |                         |
| Class A Shares of capital stock, \$.10 par value, 300,000,000 shares authorized  |                 | \$ 9,751,614 |                         |
| Class B Shares of capital stock, \$.10 par value, 500,000,000 shares authorized  |                 | 8,657,189    |                         |
| Class C Shares of capital stock, \$.10 par value, 300,000,000 shares authorized  |                 | 4,836,137    |                         |
| Class I Shares of capital stock, \$.10 par value, 300,000,000 shares authorized  |                 | 8,903,976    |                         |
| Class R Shares of capital stock, \$.10 par value, 500,000,000 shares authorized  |                 | 107,821      |                         |
| Paid-in capital in excess of par   |                 |              | 7,114,012,705           |
| Undistributed investment income--net   | \$ 26,213,388   |              |                         |
| Accumulated realized capital losses--net   | (2,425,140,932) |              |                         |
| Unrealized appreciation--net   | 610,654,117     |              |                         |
|  | -----           |              |                         |
| <b>Total accumulated losses--net</b>   |                 |              | <b>(1,788,273,427)</b>  |
|  |                 |              | -----                   |
| <b>Net Assets</b>  |                 |              | <b>\$ 5,357,996,015</b> |
|  |                 |              | =====                   |
| <b>Net Asset Value</b>   |                 |              |                         |
| Class A--Based on net assets of \$1,666,558,761 and 97,516,135 shares outstanding  |                 | \$ 17.09     |                         |
|  |                 |              | =====                   |
| Class B--Based on net assets of \$1,356,802,755 and 86,571,894 shares outstanding  |                 | \$ 15.67     |                         |
|  |                 |              | =====                   |
| Class C--Based on net assets of \$762,148,848 and 48,361,368 shares outstanding  |                 | \$ 15.76     |                         |
|  |                 |              | =====                   |
| Class I--Based on net assets of \$1,555,288,641 and 89,039,757 shares outstanding  |                 | \$ 17.47     |                         |
|  |                 |              | =====                   |
| Class R--Based on net assets of \$17,197,010 and 1,078,213 shares outstanding  |                 | \$ 15.95     |                         |

See Notes to Financial Statements.

</TABLE>

MERRILL LYNCH FUNDAMENTAL GROWTH FUND, INC., FEBRUARY 28, 2005

<TABLE>  
Statement of Operations  
<CAPTION>

For the Six Months Ended February 28, 2005

| <S>  | <S> | <C>         | <C>            |
|--|-----|-------------|----------------|
| Investment Income                                    |     |             |                |
| Dividends (net of \$31,156 foreign withholding tax)  |     |             | \$ 61,967,386  |
| Interest from affiliates                             |     |             | 1,824,502      |
| Securities lending--net                              |     |             | 259,637        |
|  |     |             | -----          |
| Total income   |     |             | 64,051,525     |
|  |     |             | -----          |
| Expenses   |     |             |                |
| Investment advisory fees                             | \$  | 16,422,637  |                |
| Account maintenance and distribution fees--Class B   |     | 7,148,201   |                |
| Account maintenance and distribution fees--Class C   |     | 3,692,138   |                |
| Account maintenance fees--Class A                    |     | 2,094,730   |                |
| Transfer agent fees--Class I                         |     | 1,960,296   |                |
| Transfer agent fees--Class B                         |     | 1,902,399   |                |
| Transfer agent fees--Class A                         |     | 1,789,365   |                |
| Transfer agent fees--Class C                         |     | 1,011,036   |                |
| Professional fees                                    |     | 941,304     |                |
| Accounting services                                  |     | 430,069     |                |
| Printing and shareholder reports                     |     | 155,799     |                |
| Custodian fees                                       |     | 130,445     |                |
| Directors' fees and expenses                         |     | 70,258      |                |
| Account maintenance and distribution fees--Class R   |     | 35,836      |                |
| Pricing fees   |     | 24,837      |                |
| Transfer agent fees--Class R                         |     | 16,648      |                |
| Other  |     | 5,886       |                |
|  |     |             | -----          |
| Total expenses                                       |     |             | 37,831,884     |
|  |     |             | -----          |
| Investment income--net                               |     |             | 26,219,641     |
|  |     |             | -----          |
| Realized & Unrealized Gain (Loss)--Net               |     |             |                |
| Realized gain (loss) on:                             |     |             |                |
| Investments--net                                     |     | 160,520,065 |                |
| Foreign currency transactions--net                   |     | (167,610)   | 160,352,455    |
|  |     |             | -----          |
| Change in unrealized appreciation (depreciation) on: |     |             |                |
| Investments--net                                     |     | 407,443,455 |                |
| Foreign currency transactions--net                   |     | (9,563)     | 407,433,892    |
|  |     |             | -----          |
| Total realized and unrealized gain--net              |     |             | 567,786,347    |
|  |     |             | -----          |
| Net Increase in Net Assets Resulting from Operations |     |             | \$ 594,005,988 |
|  |     |             | =====          |

See Notes to Financial Statements.

</TABLE>

MERRILL LYNCH FUNDAMENTAL GROWTH FUND, INC., FEBRUARY 28, 2005

<TABLE>  
Statements of Changes in Net Assets  
<CAPTION>

| <S>                                | <S> | For the Six<br>Months Ended<br>February 28,<br>2005 | For the<br>Year Ended<br>August 31,<br>2004 |
|------------------------------------|-----|---|---|
|                                    |     | <C>   | <C>   |
| Increase (Decrease) in Net Assets: |     |   |   |

Operations

|   |               |                 |
|---|---------------|-----------------|
| Investment income (loss)--net                         | \$ 26,219,641 | \$ (35,832,052) |
| Realized gain--net                                    | 160,352,455   | 541,118,775     |
| Change in unrealized appreciation (depreciation)--net | 407,433,892   | (389,219,523)   |
|   | -----         | -----           |
| Net increase in net assets resulting from operations  | 594,005,988   | 116,067,200     |
|   | -----         | -----           |

Capital Share Transactions

|  |               |               |
|--|---------------|---------------|
| Net decrease in net assets derived from capital share transactions | (369,108,839) | (106,236,353) |
|  | -----         | -----         |

Net Assets

|  |                  |                  |
|--|------------------|------------------|
| Total increase in net assets   | 224,897,149      | 9,830,847        |
| Beginning of period  | 5,133,098,866    | 5,123,268,019    |
|  | -----            | -----            |
| End of period*   | \$ 5,357,996,015 | \$ 5,133,098,866 |
|  | =====            | =====            |
| * Undistributed investment income (accumulated investment loss)--net | \$ 26,213,388    | \$ (6,253)       |
|  | =====            | =====            |

See Notes to Financial Statements.

</TABLE>

MERRILL LYNCH FUNDAMENTAL GROWTH FUND, INC., FEBRUARY 28, 2005

<TABLE>  
 Financial Highlights  
 <CAPTION>

Class A

| The following per share data and ratios have been derived from information provided in the financial statements. | For the Six Months Ended February 28, |          | For the Year Ended August 31, |          |          |
|--|---------------------------------------|----------|-------------------------------|----------|----------|
|  | 2005                                  | 2004     | 2003                          | 2002     | 2001     |
| <S> <S>  | <C>                                   | <C>      | <C>                           | <C>      | <C>      |
| Per Share Operating Performance  |                                       |          |                               |          |          |
| Net asset value, beginning of period   | \$ 15.29                              | \$ 14.89 | \$ 13.63                      | \$ 17.23 | \$ 29.63 |
|  | -----                                 | -----    | -----                         | -----    | -----    |
| Investment income (loss)--net***   | .10                                   | (.06)    | (.04)                         | (.05)    | .03      |
| Realized and unrealized gain (loss)--net   | 1.70                                  | .46      | 1.30                          | (3.55)   | (10.52)  |
|  | -----                                 | -----    | -----                         | -----    | -----    |
| Total from investment operations   | 1.80                                  | .40      | 1.26                          | (3.60)   | (10.49)  |
|  | -----                                 | -----    | -----                         | -----    | -----    |
| Less distributions in excess of realized gain--net   | --                                    | --       | --                            | --       | (1.91)   |
|  | -----                                 | -----    | -----                         | -----    | -----    |
| Net asset value, end of period   | \$ 17.09                              | \$ 15.29 | \$ 14.89                      | \$ 13.63 | \$ 17.23 |
|  | =====                                 | =====    | =====                         | =====    | =====    |

Total Investment Return\*\*

|                                    |          |       |       |          |          |
|------------------------------------|----------|-------|-------|----------|----------|
| Based on net asset value per share | 11.77%++ | 2.69% | 9.24% | (20.89%) | (36.88%) |
|                                    | =====    | ===== | ===== | =====    | =====    |

Ratios to Average Net Assets

|                               |        |        |        |        |       |
|-------------------------------|--------|--------|--------|--------|-------|
| Expenses                      | 1.16%* | 1.16%  | 1.18%  | 1.18%  | 1.04% |
|                               | =====  | =====  | =====  | =====  | ===== |
| Investment income (loss)--net | 1.22%* | (.38%) | (.29%) | (.33%) | .14%  |
|                               | =====  | =====  | =====  | =====  | ===== |

Supplemental Data

|  |             |             |             |             |             |
|--|-------------|-------------|-------------|-------------|-------------|
| Net assets, end of period (in thousands) | \$1,666,559 | \$1,587,995 | \$1,544,751 | \$1,384,765 | \$1,296,787 |
|  | =====       | =====       | =====       | =====       | =====       |
| Portfolio turnover                       | 61.59%      | 78.23%      | 108.34%     | 92.35%      | 149.86%     |
|  | =====       | =====       | =====       | =====       | =====       |

\* Annualized.

\*\* Total investment returns exclude the effects of sales charges.

\*\*\* Based on average shares outstanding.

++ Aggregate total investment return.

See Notes to Financial Statements.

</TABLE>

MERRILL LYNCH FUNDAMENTAL GROWTH FUND, INC., FEBRUARY 28, 2005

<TABLE>

Financial Highlights (continued)

<CAPTION>

|  | Class B                                     |             |                               |             |             |
|--|---|-------------|-------------------------------|-------------|-------------|
|  | For the Six<br>Months Ended<br>February 28, |             | For the Year Ended August 31, |             |             |
|  | 2005  | 2004        | 2003                          | 2002        | 2001        |
| <S>  | <S>   | <C>         | <C>                           | <C>         | <C>         |
| The following per share data and ratios have been derived from information provided in the financial statements. |   |             |                               |             |             |
| Per Share Operating Performance  |   |             |                               |             |             |
| Net asset value, beginning of period   | \$ 14.07                                    | \$ 13.81    | \$ 12.74                      | \$ 16.24    | \$ 28.06    |
| Investment income (loss)--net***   | .03   | (.17)       | (.13)                         | (.17)       | (.13)       |
| Realized and unrealized gain (loss)--net   | 1.57  | .43         | 1.20                          | (3.33)      | (9.95)      |
| Total from investment operations   | 1.60  | .26         | 1.07                          | (3.50)      | (10.08)     |
| Less distributions in excess of realized gain--net   | --  | --          | --                            | --          | (1.74)      |
| Net asset value, end of period   | \$ 15.67                                    | \$ 14.07    | \$ 13.81                      | \$ 12.74    | \$ 16.24    |
| Total Investment Return**  |   |             |                               |             |             |
| Based on net asset value per share   | 11.37%++                                    | 1.88%       | 8.40%                         | (21.55%)    | (37.36%)    |
| Ratios to Average Net Assets   |   |             |                               |             |             |
| Expenses   | 1.94%*                                      | 1.93%       | 1.97%                         | 1.96%       | 1.81%       |
| Investment income (loss)--net  | .43%*                                       | (1.16%)     | (1.08%)                       | (1.10%)     | (.62%)      |
| Supplemental Data  |   |             |                               |             |             |
| Net assets, end of period (in thousands)   | \$1,356,803                                 | \$1,445,258 | \$1,685,904                   | \$1,802,731 | \$2,299,511 |
| Portfolio turnover   | 61.59%                                      | 78.23%      | 108.34%                       | 92.35%      | 149.86%     |
| * Annualized.  |   |             |                               |             |             |
| ** Total investment returns exclude the effects of sales charges.  |   |             |                               |             |             |
| *** Based on average shares outstanding.   |   |             |                               |             |             |
| ++ Aggregate total investment return.  |   |             |                               |             |             |
| See Notes to Financial Statements.   |   |             |                               |             |             |

</TABLE>

MERRILL LYNCH FUNDAMENTAL GROWTH FUND, INC., FEBRUARY 28, 2005

<TABLE>

Financial Highlights (continued)

<CAPTION>

|  | Class C                                     |      |                               |      |      |
|--|---|------|-------------------------------|------|------|
|  | For the Six<br>Months Ended<br>February 28, |      | For the Year Ended August 31, |      |      |
|  | 2005  | 2004 | 2003                          | 2002 | 2001 |
| The following per share data and ratios have been derived from information provided in the financial statements. |   |      |                               |      |      |



| <S>   | <S> | <C>        | <C>        | <C>        | <C>        | <C>        |
|---|-----|------------|------------|------------|------------|------------|
| Per Share Operating Performance                                   |     |            |            |            |            |            |
| Net asset value, beginning of period                              |     | \$ 14.15   | \$ 13.89   | \$ 12.82   | \$ 16.34   | \$ 28.26   |
| Investment income (loss)--net***                                  |     | .03        | (.17)      | (.14)      | (.17)      | (.13)      |
| Realized and unrealized gain (loss)--net                          |     | 1.58       | .43        | 1.21       | (3.35)     | (10.01)    |
| Total from investment operations                                  |     | 1.61       | .26        | 1.07       | (3.52)     | (10.14)    |
| Less distributions in excess of realized gain--net                |     | --         | --         | --         | --         | (1.78)     |
| Net asset value, end of period                                    |     | \$ 15.76   | \$ 14.15   | \$ 13.89   | \$ 12.82   | \$ 16.34   |
| Total Investment Return**   |     |            |            |            |            |            |
| Based on net asset value per share                                |     | 11.38%++   | 1.87%      | 8.35%      | (21.54%)   | (37.35%)   |
| Ratios to Average Net Assets                                      |     |            |            |            |            |            |
| Expenses  |     | 1.95%*     | 1.94%      | 1.98%      | 1.97%      | 1.83%      |
| Investment income (loss)--net                                     |     | .42%*      | (1.17%)    | (1.09%)    | (1.11%)    | (.66%)     |
| Supplemental Data   |     |            |            |            |            |            |
| Net assets, end of period (in thousands)                          |     | \$ 762,149 | \$ 692,924 | \$ 608,176 | \$ 596,871 | \$ 616,400 |
| Portfolio turnover  |     | 61.59%     | 78.23%     | 108.34%    | 92.35%     | 149.86%    |
| * Annualized.   |     |            |            |            |            |            |
| ** Total investment returns exclude the effects of sales charges. |     |            |            |            |            |            |
| *** Based on average shares outstanding.                          |     |            |            |            |            |            |
| ++ Aggregate total investment return.                             |     |            |            |            |            |            |
| See Notes to Financial Statements.                                |     |            |            |            |            |            |

</TABLE>

MERRILL LYNCH FUNDAMENTAL GROWTH FUND, INC., FEBRUARY 28, 2005

<TABLE>  
Financial Highlights (continued)  
<CAPTION>

|  |     | Class I                  |          |                               |          |          |
|--|-----|--------------------------|----------|-------------------------------|----------|----------|
|  |     | For the Six Months Ended |          | For the Year Ended August 31, |          |          |
|  |     | February 28,             | 2004     | 2003                          | 2002     | 2001     |
| <S>  | <S> | <C>                      | <C>      | <C>                           | <C>      | <C>      |
| The following per share data and ratios have been derived from information provided in the financial statements. |     |                          |          |                               |          |          |
| Per Share Operating Performance  |     |                          |          |                               |          |          |
| Net asset value, beginning of period   |     | \$ 15.61                 | \$ 15.16 | \$ 13.84                      | \$ 17.46 | \$ 29.98 |
| Investment income (loss)--net***   |     | .12                      | (.02)    | (.01)                         | (.02)    | .08      |
| Realized and unrealized gain (loss)--net   |     | 1.74                     | .47      | 1.33                          | (3.60)   | (10.64)  |
| Total from investment operations   |     | 1.86                     | .45      | 1.32                          | (3.62)   | (10.56)  |
| Less distributions in excess of realized gain--net   |     | --                       | --       | --                            | --       | (1.96)   |
| Net asset value, end of period   |     | \$ 17.47                 | \$ 15.61 | \$ 15.16                      | \$ 13.84 | \$ 17.46 |
| Total Investment Return**  |     |                          |          |                               |          |          |
| Based on net asset value per share   |     | 11.92%++                 | 2.97%    | 9.54%                         | (20.73%) | (36.71%) |

Ratios to Average Net Assets

|                               |        |        |        |        |      |
|-------------------------------|--------|--------|--------|--------|------|
| Expenses                      | .91%*  | .91%   | .93%   | .94%   | .80% |
| Investment income (loss)--net | 1.47%* | (.13%) | (.04%) | (.09%) | .35% |

Supplemental Data

|  |             |             |             |             |            |
|--|-------------|-------------|-------------|-------------|------------|
| Net assets, end of period (in thousands) | \$1,555,289 | \$1,396,668 | \$1,284,423 | \$1,170,884 | \$ 950,922 |
| Portfolio turnover                       | 61.59%      | 78.23%      | 108.34%     | 92.35%      | 149.86%    |

\* Annualized.

\*\* Total investment returns exclude the effects of sales charges.

\*\*\* Based on average shares outstanding.

++ Aggregate total investment return.

See Notes to Financial Statements.

</TABLE>

MERRILL LYNCH FUNDAMENTAL GROWTH FUND, INC., FEBRUARY 28, 2005

<TABLE>  
 Financial Highlights (concluded)  
 <CAPTION>

|  | Class R                                    |                                    |   |
|--|--|------------------------------------|---|
|  | For the Six Months Ended February 28, 2005 | For the Year Ended August 31, 2004 | For the Period January 3, 2003++ to August 31, 2003 |
| The following per share data and ratios have been derived from information provided in the financial statements. |  |                                    |   |
| Per Share Operating Performance  |  |                                    |   |
| Net asset value, beginning of period   | \$ 14.28                                   | \$ 13.95                           | \$ 12.13  |
| Investment income (loss)--net***   | .08  | (.09)                              | (.02)   |
| Realized and unrealized gain--net  | 1.59                                       | .42                                | 1.84  |
| Total from investment operations   | 1.67                                       | .33                                | 1.82  |
| Net asset value, end of period   | \$ 15.95                                   | \$ 14.28                           | \$ 13.95  |
| Total Investment Return**  |  |                                    |   |
| Based on net asset value per share   | 11.69%+++                                  | 2.37%                              | 15.00%+++   |

Ratios to Average Net Assets

|                               |        |        |         |
|-------------------------------|--------|--------|---------|
| Expenses                      | 1.41%* | 1.41%  | 1.42%*  |
| Investment income (loss)--net | .99%*  | (.60%) | (.53%)* |

Supplemental Data

|  |           |           |         |
|--|-----------|-----------|---------|
| Net assets, end of period (in thousands) | \$ 17,197 | \$ 10,254 | \$ 14   |
| Portfolio turnover                       | 61.59%    | 78.23%    | 108.34% |

\* Annualized.

\*\* Total investment returns exclude the effects of sales charges.

\*\*\* Based on average shares outstanding.

++ Commencement of operations.

+++ Aggregate total investment return.

See Notes to Financial Statements.

</TABLE>

MERRILL LYNCH FUNDAMENTAL GROWTH FUND, INC., FEBRUARY 28, 2005

#### Notes to Financial Statements

##### 1. Significant Accounting Policies:

Merrill Lynch Fundamental Growth Fund, Inc. (the "Fund") is registered under the Investment Company Act of 1940, as amended, as a diversified, open-end management investment company. The Fund's financial statements are prepared in conformity with U.S. generally accepted accounting principles, which may require the use of management accruals and estimates. Actual results may differ from these estimates. These unaudited financial statements reflect all adjustments, which are, in the opinion of management, necessary to present a fair statement of the results for the interim period. All such adjustments are of a normal, recurring nature. The Fund offers multiple classes of shares. Shares of Class A and Class I are sold with a front-end sales charge. Shares of Class B and Class C may be subject to a contingent deferred sales charge. Class R Shares are sold only to certain retirement plans. All classes of shares have identical voting, dividend, liquidation and other rights and the same terms and conditions, except that Class A, Class B, Class C and Class R Shares bear certain expenses related to the account maintenance of such shares, and Class B, Class C and Class R Shares also bear certain expenses related to the distribution of such shares. Each class has exclusive voting rights with respect to matters relating to its account maintenance and distribution expenditures (except that Class B shareholders may vote on material changes to the Class A distribution plan). Income, expenses (other than expenses attributable to a specific class) and realized and unrealized gains and losses are allocated daily to each class based on its relative net assets. The following is a summary of significant accounting policies followed by the Fund.

(a) Valuation of investments--Equity securities that are held by the Fund that are traded on stock exchanges or the Nasdaq National Market are valued at the last sale price or official close price on the exchange, as of the close of business on the day the securities are being valued or, lacking any sales, at the last available bid price for long positions, and at the last available ask price for short positions. In cases where equity securities are traded on more than one exchange, the securities are valued on the exchange designated as the primary market by or under the authority of the Board of Directors of the Fund. Long positions traded in the over-the-counter ("OTC") market, Nasdaq Small Cap or Bulletin Board are valued at the last available bid price or yield equivalent obtained from one or more dealers or pricing services approved by the Board of Directors of the Fund. Short positions traded in the OTC market are valued at the last available ask price. Portfolio securities that are traded both in the OTC market and on a stock exchange are valued according to the broadest and most representative market.

Options written are valued at the last sale price in the case of exchange-traded options or, in the case of options traded in the OTC market, the last ask price. Options purchased are valued at their last sale price in the case of exchange-traded options or, in the case of options traded in the OTC market, the last bid price. Swap agreements are valued daily based upon quotations from market makers. Financial futures contracts and options thereon, which are traded on exchanges, are valued at their last sale price as of the close of such exchanges. Obligations with remaining maturities of 60 days or less are valued at amortized cost unless the Investment Adviser believes that this method no longer produces fair valuations.

Repurchase agreements are valued at cost plus accrued interest. The Fund employs pricing services to provide certain securities prices for the Fund. Securities and assets for which market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of the Board of Directors of the

Fund, including valuations furnished by the pricing services retained by the Fund, which may use a matrix system for valuations. The procedures of a pricing service and its valuations are reviewed by the officers of the Fund under the general supervision of the Fund's Board of Directors. Such valuations and procedures will be reviewed periodically by the Board of Directors of the Fund.

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 business on the New York Stock Exchange ("NYSE"). 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 also are generally determined prior to the close of business on the NYSE. 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 business on the NYSE that may not be reflected in the computation of the Fund's net asset value. If events (for example, a company announcement, market volatility or a natural disaster) occur during such periods that are expected to materially affect the value of such securities, those securities may be valued at their fair value as determined in good faith by the Fund's Board of Directors or by the Investment Adviser using a pricing service and/or procedures approved by the Fund's Board of Directors.

MERRILL LYNCH FUNDAMENTAL GROWTH FUND, INC., FEBRUARY 28, 2005

Notes to Financial Statements (continued)

(b) Derivative financial instruments--The Fund may engage in various portfolio investment strategies both to increase the return of the Fund and to hedge, or protect, its exposure to interest rate movements and movements in the securities markets. Losses may arise due to changes in the value of the contract or if the counterparty does not perform under the contract.

\* Financial futures contracts--The Fund may purchase or sell financial futures contracts and options on such futures contracts. Futures contracts are contracts for delayed delivery of securities at a specific future date and at a specific price or yield. 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.

\* Options--The Fund may write and purchase call and 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 purchased or sold through an exercise of an option, the related premium paid (or received) is added to (or deducted from) the basis of the security acquired or deducted from (or added to) the proceeds 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.

(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) assets or liabilities expressed in foreign currencies into U.S. dollars. Realized and unrealized gains or

losses from investments include the effects of foreign exchange rates on investments.

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

(e) Security transactions and investment income--Security transactions are recorded on the dates the transactions are entered into (the trade dates). Realized gains and losses on security transactions are determined on the identified cost basis. Dividend income is recorded on the ex-dividend dates. Dividends from foreign securities where the ex-dividend date may have passed are subsequently recorded when the Fund has determined the ex-dividend date. Interest income is recognized on the accrual basis.

(f) Prepaid registration fees--Prepaid registration fees are charged to expense as the related shares are issued.

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

MERRILL LYNCH FUNDAMENTAL GROWTH FUND, INC., FEBRUARY 28, 2005

Notes to Financial Statements (continued)

(h) Securities lending--The Fund may lend securities to financial institutions that provide cash or securities issued or guaranteed by the U.S. government as collateral, which will be maintained at all times in an amount equal to at least 100% of the current market value of the loaned securities. The market value of the loaned securities is determined at the close of business of the Fund and any additional required collateral is delivered to the Fund on the next business day. Where the Fund receives securities as collateral for the loaned securities, it collects a fee from the borrower. The Fund typically receives the income on loaned securities but does not receive the income on the collateral. Where the Fund receives cash collateral, it may invest such collateral and retain the amount earned on such investment, net of any amount rebated to the borrower. Loans of securities are terminable at any time and the borrower, after notice, is required to return borrowed securities within five business days. The Fund may pay reasonable finder's, lending agent, administrative and custodial fees in connection with its loans. In the event that the borrower defaults on its obligation to return borrowed securities because of insolvency or for any other reason, the Fund could experience delays and costs in gaining access to the collateral. The Fund also could suffer a loss where the value of the collateral falls below the market value of the borrowed securities, in the event of borrower default or in the event of losses on investments made with cash collateral.

## 2. Investment Advisory Agreement and Transactions with Affiliates:

The Fund has entered into an Investment Advisory Agreement with Merrill Lynch Investment Managers, L.P. ("MLIM"). The general partner of MLIM is Princeton Services, Inc. ("PSI"), an indirect wholly-owned subsidiary of Merrill Lynch & Co., Inc. ("ML & Co."), which is the limited partner. The Fund has also entered into a Distribution Agreement and Distribution Plan with FAM Distributors, Inc. ("FAMD" or the "Distributor"), which is a wholly-owned subsidiary of Merrill Lynch Group, Inc.

MLIM 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 at the annual rate of .65% of the average net assets of the Fund not exceeding \$1 billion, .625% of average net assets of the Fund in excess of \$1 billion but not exceeding \$1.5 billion, .60% of net assets in excess of \$1.5 billion but not exceeding \$5 billion, .575% of net assets in

excess of \$5 billion but not exceeding \$7.5 billion and .55% of net assets in excess of \$7.5 billion. MLIM has entered into a Sub-Advisory Agreement with Merrill Lynch Asset Management U.K. Limited ("MLAM U.K."), an affiliate of MLIM, pursuant to which MLAM U.K. provides investment advisory services to MLIM with respect to the Fund. There is no increase in the aggregate fees paid by the Fund for these services.

Pursuant to the Distribution Plan adopted by the Fund in accordance with Rule 12b-1 under the Investment Company Act of 1940, the Fund pays the Distributor ongoing account maintenance and distribution fees. The fees are accrued daily and paid monthly at annual rates based upon the average daily net assets of the shares as follows:

|         | Account<br>Maintenance<br>Fee | Distribution<br>Fee |
|---------|-------------------------------|---------------------|
| Class A | .25%                          | --                  |
| Class B | .25%                          | .75%                |
| Class C | .25%                          | .75%                |
| Class R | .25%                          | .25%                |

Pursuant to a sub-agreement with the Distributor, Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"), an affiliate of MLIM, also provides account maintenance and distribution services to the Fund. The ongoing account maintenance fee compensates the Distributor and MLPF&S for providing account maintenance services to Class A, Class B, Class C and Class R shareholders. The ongoing distribution fee compensates the Distributor and MLPF&S for providing shareholder and distribution-related services to Class B, Class C and Class R shareholders.

For the six months ended February 28, 2005, FAMD earned underwriting discounts and direct commissions and MLPF&S earned dealer concessions on sales of the Fund's Class A and Class I Shares as follows:

|         | FAMD      | MLPF&S     |
|---------|-----------|------------|
| Class A | \$ 26,223 | \$ 327,573 |
| Class I | \$ 219    | \$ 2,895   |

For the six months ended February 28, 2005, MLPF&S received contingent deferred sales charges of \$643,453 and \$52,200 relating to transactions in Class B and Class C Shares, respectively. Furthermore, MLPF&S received contingent deferred sales charges of \$268 relating to transactions subject to front-end sales charge waivers in Class A Shares.

The Fund has received an exemptive order from the Securities and Exchange Commission permitting it to lend portfolio securities to MLPF&S or its affiliates. As of February 28, 2005, the Fund lent securities with a value of \$15,606,878 to MLPF&S or its affiliates. Pursuant to that order, the Fund also has retained Merrill Lynch Investment Managers, LLC ("MLIM, LLC"), an affiliate of MLIM, as the securities lending agent for a fee based on a share of the returns on investment of cash collateral. MLIM, LLC may, on behalf of the Fund, invest cash collateral received by the Fund for such loans, among other things, in a private investment company managed by MLIM, LLC or in registered money market funds advised by MLIM or its affiliates. For the six months ended February 28, 2005, MLIM, LLC received \$109,707 in securities lending agent fees.

MERRILL LYNCH FUNDAMENTAL GROWTH FUND, INC., FEBRUARY 28, 2005

Notes to Financial Statements (continued)

In addition, MLPF&S received \$740,821 in commissions on the execution of portfolio security transactions for the Fund for the

six months ended February 28, 2005.

For the six months ended February 28, 2005, the Fund reimbursed MLIM \$58,226 for certain accounting services.

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

Certain officers and/or directors of the Fund are officers and/or directors of MLIM, FDS, PSI, MLAM U.K., FAMD, and/or ML & Co.

3. Investments:

Purchases and sales of investments, excluding short-term securities, for the six months ended February 28, 2005 were \$3,238,389,476 and \$3,428,583,665, respectively.

4. Capital Share Transactions:

Net decrease in net assets derived from capital share transactions was \$369,108,839 and \$106,236,353 for the six months ended February 28, 2005 and for the year ended August 31, 2004.

Transactions in capital shares for each class were as follows:

| Class A Shares for the<br>Six Months Ended<br>February 28, 2005 | Shares       | Dollar<br>Amount |
|---|--------------|------------------|
| Shares sold   | 9,130,357    | \$ 150,534,896   |
| Automatic conversion of shares                                  | 3,863,074    | 63,915,413       |
|   | -----        | -----            |
| Total issued  | 12,993,431   | 214,450,309      |
| Shares redeemed   | (19,355,354) | (322,320,417)    |
|   | -----        | -----            |
| Net decrease  | (6,361,923)  | \$ (107,870,108) |
|   | =====        | =====            |

| Class A Shares for the Year<br>Ended August 31, 2004 | Shares       | Dollar<br>Amount |
|--|--------------|------------------|
| Shares sold  | 17,766,615   | \$ 284,562,848   |
| Shares issued resulting from<br>reorganization       | 303,903      | 5,126,703        |
| Automatic conversion of shares                       | 8,127,236    | 130,283,733      |
|  | -----        | -----            |
| Total issued   | 26,197,754   | 419,973,284      |
| Shares redeemed                                      | (26,077,331) | (417,131,861)    |
|  | -----        | -----            |
| Net increase   | 120,423      | \$ 2,841,423     |
|  | =====        | =====            |

| Class B Shares for the<br>Six Months Ended<br>February 28, 2005 | Shares       | Dollar<br>Amount |
|---|--------------|------------------|
| Shares sold   | 6,049,598    | \$ 91,805,559    |
|   | -----        | -----            |
| Automatic conversion of shares                                  | (4,204,312)  | (63,915,413)     |
| Shares redeemed   | (17,966,856) | (273,531,480)    |
|   | -----        | -----            |
| Total redeemed  | (22,171,168) | (337,446,893)    |
|   | -----        | -----            |
| Net decrease  | (16,121,570) | \$ (245,641,334) |
|   | =====        | =====            |

| Class B Shares for the Year<br>Ended August 31, 2004 | Shares     | Dollar<br>Amount |
|--|------------|------------------|
| Shares sold  | 16,590,641 | \$ 244,662,832   |
| Shares issued resulting from<br>reorganization       | 3,740,939  | 58,381,960       |
|  | -----      | -----            |
| Total issued   | 20,331,580 | 303,044,792      |
|  | -----      | -----            |

|                                |              |                  |
|--------------------------------|--------------|------------------|
| Automatic conversion of shares | (8,792,896)  | (130,283,733)    |
| Shares redeemed                | (30,886,156) | (455,863,255)    |
|                                | -----        | -----            |
| Total redeemed                 | (39,679,052) | (586,146,988)    |
|                                | -----        | -----            |
| Net decrease                   | (19,347,472) | \$ (283,102,196) |
|                                | =====        | =====            |

|                        |             |                |
|------------------------|-------------|----------------|
| Class C Shares for the |             |                |
| Six Months Ended       |             |                |
| February 28, 2005      | Shares      | Dollar Amount  |
| Shares sold            | 7,850,123   | \$ 119,916,036 |
| Shares redeemed        | (8,451,353) | (129,256,842)  |
|                        | -----       | -----          |
| Net decrease           | (601,230)   | \$ (9,340,806) |
|                        | =====       | =====          |

|   |              |                |
|---|--------------|----------------|
| Class C Shares for the Year                 |              |                |
| Ended August 31, 2004                       |              |                |
|   | Shares       | Dollar Amount  |
| Shares sold                                 | 13,724,469   | \$ 204,267,701 |
| Shares issued resulting from reorganization | 2,519,070    | 39,535,287     |
|   | -----        | -----          |
| Total issued                                | 16,243,539   | 243,802,988    |
| Shares redeemed                             | (11,057,204) | (163,910,711)  |
|   | -----        | -----          |
| Net increase                                | 5,186,335    | \$ 79,892,277  |
|   | =====        | =====          |

MERRILL LYNCH FUNDAMENTAL GROWTH FUND, INC., FEBRUARY 28, 2005

Notes to Financial Statements (concluded)

|                        |              |                 |
|------------------------|--------------|-----------------|
| Class I Shares for the |              |                 |
| Six Months Ended       |              |                 |
| February 28, 2005      | Shares       | Dollar Amount   |
| Shares sold            | 13,964,120   | \$ 232,657,354  |
| Shares redeemed        | (14,424,433) | (244,469,609)   |
|                        | -----        | -----           |
| Net decrease           | (460,313)    | \$ (11,812,255) |
|                        | =====        | =====           |

|   |              |                |
|---|--------------|----------------|
| Class I Shares for the Year                 |              |                |
| Ended August 31, 2004                       |              |                |
|   | Shares       | Dollar Amount  |
| Shares sold                                 | 24,896,870   | \$ 410,881,363 |
| Shares issued resulting from reorganization | 147,273      | 2,532,155      |
|   | -----        | -----          |
| Total issued                                | 25,044,143   | 413,413,518    |
| Shares redeemed                             | (20,270,196) | (330,110,284)  |
|   | -----        | -----          |
| Net increase                                | 4,773,947    | \$ 83,303,234  |
|   | =====        | =====          |

|                        |           |               |
|------------------------|-----------|---------------|
| Class R Shares for the |           |               |
| Six Months Ended       |           |               |
| February 28, 2005      | Shares    | Dollar Amount |
| Shares sold            | 536,664   | \$ 8,305,447  |
| Shares redeemed        | (176,256) | (2,749,783)   |
|                        | -----     | -----         |
| Net increase           | 360,408   | \$ 5,555,664  |
|                        | =====     | =====         |

Class R Shares for the Year Dollar



| Ended August 31, 2004 | Shares    | Amount        |
|-----------------------|-----------|---------------|
| Shares sold           | 872,209   | \$ 13,191,530 |
| Shares redeemed       | (155,422) | (2,362,621)   |
|                       | -----     | -----         |
| Net increase          | 716,787   | \$ 10,828,909 |
|                       | =====     | =====         |

#### 5. Short-Term Borrowings:

The Fund, along with certain other funds managed by MLIM and its affiliates, is a party to a \$500,000,000 credit agreement with a group of lenders. The Fund may borrow under the credit agreement to fund shareholder redemptions and for other lawful purposes other than for leverage. The Fund may borrow up to the maximum amount allowable under the Fund's current prospectus and statement of additional information, subject to various other legal, regulatory or contractual limits. The Fund pays a commitment fee of .07% per annum based on the Fund's pro rata share of the unused portion of the credit agreement. Amounts borrowed under the credit agreement bear interest at a rate equal to, at each fund's election, the federal funds rate plus .50% or a base rate as defined in the credit agreement. The Fund did not borrow under the credit agreement during the six months ended February 28, 2005. On November 26, 2004, the credit agreement was renewed for one year under substantially the same terms.

#### 6. Capital Loss Carryforward:

On August 31, 2004, the Fund had a net capital loss carryforward of \$2,569,260,108, of which \$98,873,827 expires in 2008, \$126,733,281 expires in 2009, \$975,197,323 expires in 2010, \$1,300,237,466 expires in 2011 and \$68,218,211 expires in 2012. This amount will be available to offset like amounts of any future taxable gains.

MERRILL LYNCH FUNDAMENTAL GROWTH FUND, INC., FEBRUARY 28, 2005

#### Portfolio Information

As of February 28, 2005

| Ten Largest Holdings                 | Percent of<br>Net Assets |
|--------------------------------------|--------------------------|
| General Electric Co.                 | 6.9%                     |
| 3M Co.                               | 5.2                      |
| Microsoft Corp.                      | 4.8                      |
| Alcon, Inc.                          | 3.5                      |
| Intel Corp.                          | 2.7                      |
| The Dow Chemical Co.                 | 2.6                      |
| Procter & Gamble Co.                 | 2.6                      |
| Marriott International, Inc. Class A | 2.5                      |
| UnitedHealth Group, Inc.             | 2.4                      |
| Schlumberger Ltd.                    | 2.4                      |

| Five Largest Industries*         | Percent of<br>Net Assets |
|----------------------------------|--------------------------|
| Health Care Equipment & Supplies | 12.7%                    |
| Industrial Conglomerates         | 12.0                     |
| Hotels, Restaurants & Leisure    | 8.1                      |
| Chemicals                        | 7.7                      |
| Energy Equipment and Services    | 7.4                      |

\* For Fund compliance purposes, "Industries" means any one or more of the industry sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or as defined by Fund management. This definition may not apply for purposes of this report, which may combine industry sub-classifications for reporting ease.

Percent of

| Sector Representation  | Total<br>Investments |
|------------------------|----------------------|
| Health Care            | 19.9%                |
| Industrials            | 16.9                 |
| Information Technology | 14.6                 |
| Consumer Discretionary | 12.4                 |
| Consumer Staples       | 7.1                  |
| Materials              | 7.1                  |
| Financials             | 7.0                  |
| Energy                 | 6.8                  |
| Other*                 | 8.2                  |

\* Includes portfolio holdings in short-term investments.

MERRILL LYNCH FUNDAMENTAL GROWTH FUND, INC., FEBRUARY 28, 2005

#### Officers and Directors

Robert C. Doll, Jr., President and Director  
 James H. Bodurtha, Director  
 Joe Grills, Director  
 Herbert I. London, Director  
 Roberta Cooper Ramo, Director  
 Robert S. Salomon, Jr., Director  
 Stephen B. Swensrud, Director  
 Lawrence R. Fuller, Vice President and  
 Portfolio Manager  
 Donald C. Burke, Vice President and Treasurer  
 Jeffrey Hiller, Chief Compliance Officer  
 Alice A. Pellegrino, Secretary

#### Custodian

JP Morgan Chase Bank  
 4 Chase MetroTech Center, 18th Floor  
 Brooklyn, NY 11245

#### Transfer Agent

Financial Data Services, Inc.  
 4800 Deer Lake Drive East  
 Jacksonville, FL 32246-6484  
 800-637-3863

Andre F. Perold resigned as a Director of Merrill Lynch Fundamental Growth Fund, Inc. effective October 22, 2004.

Effective January 1, 2005, Terry K. Glenn retired as President and Director of the Fund. The Fund's Board of Directors wishes Mr. Glenn well in his retirement.

Effective January 1, 2005, Robert C. Doll, Jr. became President and Director of the Fund.

#### Availability of Quarterly Schedule of Investments

The Fund files its complete schedule of portfolio holdings with the Securities and Exchange Commission ("SEC") for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the SEC's Web site at <http://www.sec.gov>. The Fund's Forms N-Q may also be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

#### Electronic Delivery

The Fund offers electronic delivery of communications to its shareholders. In order to receive this service, you must register your account and provide us with e-mail information. To sign up for this service, simply access this Web site at <http://www.icsdelivery.com/live> and follow the instructions. When you visit this site, you will obtain a personal identification number (PIN). You will need this PIN should you wish to update your e-mail address, choose to discontinue this service and/or make any other changes to the service. This service is not available for certain retirement accounts at this time.

MERRILL LYNCH FUNDAMENTAL GROWTH FUND, INC., FEBRUARY 28, 2005

Item 2 - Code of Ethics - Not Applicable to this semi-annual report

Item 3 - Audit Committee Financial Expert - Not Applicable to this semi-annual report

Item 4 - Principal Accountant Fees and Services - Not Applicable to this semi-annual report

Item 5 - Audit Committee of Listed Registrants - Not Applicable

Item 6 - Schedule of Investments - Not Applicable

Item 7 - Disclosure of Proxy Voting Policies and Procedures for Closed-End Management Investment Companies - Not Applicable

Item 8 - Portfolio Managers of Closed-End Management Investment Companies - Not Applicable

Item 9 - Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers - Not Applicable

Item 10 - Submission of Matters to a Vote of Security Holders - Not Applicable

Item 11 - Controls and Procedures

11(a) - The registrant's certifying officers have reasonably designed such disclosure controls and procedures to ensure material information relating to the registrant is made known to us by others particularly during the period in which this report is being prepared. The registrant's certifying officers have determined that the registrant's disclosure controls and procedures are effective based on our evaluation of these controls and procedures as of a date within 90 days prior to the filing date of this report.

11(b) - There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Act (17 CFR 270.30a-3(d)) that occurred during the last fiscal half-year of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 12 - Exhibits attached hereto

12(a) (1) - Code of Ethics - Not Applicable to this semi-annual report

12(a) (2) - Certifications - Attached hereto

12(a) (3) - Not Applicable

12(b) - Certifications - Attached hereto

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Merrill Lynch Fundamental Growth Fund, Inc.

By:     /s/ Robert C. Doll, Jr.      
Robert C. Doll, Jr.,

Chief Executive Officer of  
Merrill Lynch Fundamental Growth Fund, Inc.

Date: April 22, 2005

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By:     /s/ Robert C. Doll, Jr.                      
Robert C. Doll, Jr.,  
Chief Executive Officer of  
Merrill Lynch Fundamental Growth Fund, Inc.

Date: April 22, 2005

By:     /s/ Donald C. Burke                      
Donald C. Burke,  
Chief Financial Officer of  
Merrill Lynch Fundamental Growth Fund, Inc.

Date: April 22, 2005

EX-99. CERT

CERTIFICATION PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002

I, Robert C. Doll, Jr., Chief Executive Officer of Merrill Lynch Fundamental Growth Fund, Inc., certify that:

1. I have reviewed this report on Form N-CSR of Merrill Lynch Fundamental Growth Fund, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, changes in net assets, and cash flows (if the financial statements are required to include a statement of cash flows) of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) and internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions

about the effectiveness of the disclosure controls and procedures, as of a date within 90 days prior to the filing date of this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 22, 2005

/s/ Robert C. Doll, Jr.  
Robert C. Doll, Jr.,  
Chief Executive Officer of  
Merrill Lynch Fundamental Growth Fund, Inc.

EX-99. CERT

CERTIFICATION PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002

I, Donald C. Burke, Chief Financial Officer of Merrill Lynch Fundamental Growth Fund, Inc., certify that:

1. I have reviewed this report on Form N-CSR of Merrill Lynch Fundamental Growth Fund, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact

necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, changes in net assets, and cash flows (if the financial statements are required to include a statement of cash flows) of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) and internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of a date within 90 days prior to the filing date of this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting

which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 22, 2005

/s/ Donald C. Burke  
Donald C. Burke,  
Chief Financial Officer of  
Merrill Lynch Fundamental Growth Fund, Inc.

Exhibit 99.1350CERT

Certification Pursuant to Section 906 of the Sarbanes Oxley Act

I, Robert C. Doll, Jr., Chief Executive Officer of Merrill Lynch Fundamental Growth Fund, Inc. (the "Fund"), certify that:

1. The N-CSR of the Fund (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Fund.

Dated: April 22, 2005

/s/ Robert C. Doll, Jr.  
Robert C. Doll, Jr.,  
Chief Executive Officer of  
Merrill Lynch Fundamental Growth Fund, Inc.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Merrill Lynch Fundamental Growth Fund,



Inc. and will be retained by Merrill Lynch Fundamental Growth Fund, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 99.1350CERT

Certification Pursuant to Section 906 of the Sarbanes Oxley Act

I, Donald C. Burke, Chief Financial Officer of Merrill Lynch Fundamental Growth Fund, Inc. (the "Fund"), certify that:

1. The N-CSR of the Fund (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Fund.

Dated: April 22, 2005

/s/ Donald C. Burke  
Donald C. Burke,  
Chief Financial Officer of  
Merrill Lynch Fundamental Growth Fund, Inc.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Merrill Lynch Fundamental Growth Fund, Inc. and will be retained by Merrill Lynch Fundamental Growth Fund, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.