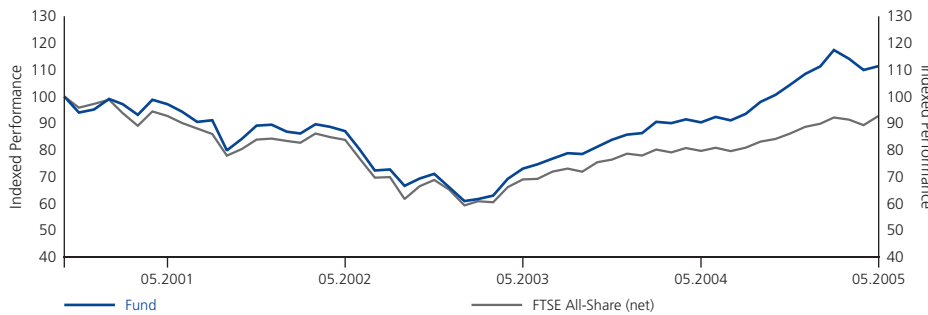


# Merrill Lynch UK Dynamic Fund

## Performance to 31 May 2005

### Performance



Cumulative Performance	1 Month %	3 Months %	6 Months %	1 Year %	3 Years %	Since Launch %	Year To Date %	Annualised (Since Launch) %
Fund	1.3	-5.1	6.7	23.3	28.0	11.4	2.7	2.4
Sector	3.5	-1.2	6.5	14.9	10.6	11.4	3.6	2.4
Quartile Ranking	4	4	2	1	1	1	3	1

Annual performance to the last quarter end	31-03-00 to 31-03-01 %	31-03-01 to 31-03-02 %	31-03-02 to 31-03-03 %	31-03-03 to 31-03-04 %	31-03-04 to 31-03-05 %
Fund	-	-3.8	-29.8	43.1	26.8

The above table will only show performance for complete 12 month performance periods.

**Past performance is not a guide to future performance.** The latest performance data is available on our website – [www.mlim.co.uk](http://www.mlim.co.uk). Performance is based on bid (selling) to bid prices, with net income reinvested. Quartile is the ranking achieved in the relevant Standard & Poor's sector, 1st quartile means ranked in the top 25% of funds in the sector, 2nd quartile is the next 25% of funds in the sector and so on.

### Fund Data

Fund Manager	Mark Lyttleton
Launch Date	31.10.2000
Benchmark	FTSE All-Share (net)
S&P Sector	UK All Companies
Total Fund Size (m)	£586.5
Yield (%)	0.66
Distribution Date	30.06; 31.12
Ex-Distribution Date	30.04; 31.10
Minimum Investment	£1000 lump sum; £50 monthly

### Codes

Sedol	0070906
ISIN	GB0000709062
Bloomberg Equity Ticker - Fund	MLUKDYA LN
Bloomberg Equity Ticker - Benchmark	FTPTTALL

### Dealing & Prices

Dealing Information	
Trading Frequency	Daily, forward pricing basis
Settlement	Trade date + 4 days
Fees	%
Initial Charge	5
Annual Management Fee	1.50
12 Months High/Low Offer Fund	(p) 119.20/89.69

### 10 Largest Holdings

Vodafone	5.8
HBOS	5.6
BP	4.7
HSBC	4.0
Barclays	3.5
Royal Bank of Scotland	3.5
Meggitt	3.1
Enterprise Inns	3.0
Carnival	2.9
Xstrata	2.9
Total	39.0

		Equity Fund
Stockmarket Capitalisation	Large	
	Mid	30-50 shares
	Small	
Style		Flexible

Awards & Ratings	
S&P Fund Management Rating	AA
Forsyth OBSR	AA

### Summary of Investment Objective

The aim of the Merrill Lynch UK Dynamic Fund is to achieve capital growth for unitholders, with income of secondary importance. The Fund invests principally in a portfolio of quoted UK securities.

# Merrill Lynch UK Dynamic Fund

continued

## Fund Manager's Report as at 31 May 2005

The Fund rose by 1.3% over the month, underperforming its benchmark which rose by 3.9%.

The biggest detractor from performance was our holding in oil exploration company Regal Petroleum as the share price fell sharply when the company reported it had failed to extract commercial quantities of oil from its reserves in Kallirachi, Greece. All holdings across the sector were weak as the oil price fell – including FirstAfrica and First Calgary. A further negative to performance came from intellectual property company IP2IPO which fell after issuing shares to fund a new drugs unit, and on general market liquidity concerns.

Good performance came from Carnival and British Airways, helped by the easing of oil prices, and technology group CSR, which reported decent earnings and a positive outlook.

We added to holdings in Vodafone and Quintain Estates and sold Rio Tinto following recent share price strength. We reduced our holdings in Barclays and Royal Bank of Scotland due to concerns about unsecured lending losses.

The outlook for the market is positive overall, with medium-term valuations still looking attractive. Concerns over interest rate rises on both sides of the Atlantic, as well as higher oil prices and the slowdown in Asian consumption, all continue to act as potential headwinds. Focus on stock selection will continue to be crucial in such an environment and we will invest accordingly.

## Fund Risk Statistics

	3 Years	5 Years	Since launch
<b>Volatility (%)</b>			
- Fund	15.3	-	15.6
- Benchmark*	15.7	-	14.9
Beta	0.92	-	0.98

## Composition of Fund

Sector	Fund/Benchmark	%
Financials	31.6/27.8	
Resources	19.7/17.2	
Cyclical Services	14.0/14.2	
Non Cyclic. Consumer Gds	8.8/18.0	
Non-Cyclical Services	8.1/11.0	
Cash	5.3/0.0	
General Industrials	5.0/2.5	
Basic Industries	3.7/3.5	
Utilities	2.2/4.4	
Information Technology	1.6/1.0	
Cyclical Consumer Goods	0.0/0.4	

## Asset Allocations Analysis – Active Position

Sector	Fund-Benchmark	%
Financials	3.8	
Resources	2.5	
Cyclical Services	-0.2	
Non Cyclic. Consumer Gds	-9.2	
Non-Cyclical Services	-2.9	
Cash	5.3	
General Industrials	2.5	
Basic Industries	0.2	
Utilities	-2.2	
Information Technology	0.6	
Cyclical Consumer Goods	-0.4	

\*The Benchmark under Fund risk statistics for the UK Dynamic Fund is FTSE All-Share (net).