

**BlackRock Merrill Lynch Investment Managers**  
**Sub-fund of Luxembourg domiciled Sicav - Part 1**

**Report Issued:** September 2007

**Peer Group:**

Gold & Mining Equities

**Fund Manager/Adviser:**

Graham Birch (since November 2001), Evy Hambro (since January 2002)

**Location:**

London

**Launch Date:** September 1998

**Fund Size (July 2007):**

US\$5.4bn

**Group Contact No:**

+352 342 0101

**Website:**

www.blackrock.com

**S&P ID Number:** OS355805

**Share class screened:**

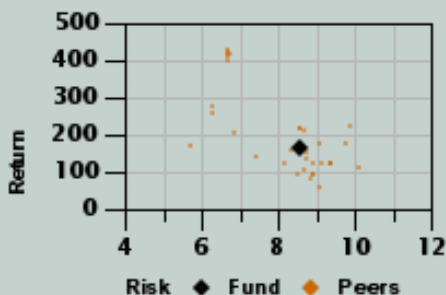
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### INVESTMENT STYLE

	Value	Blend	Growth
Large-Cap			
Mid-Cap			
Small-Cap			

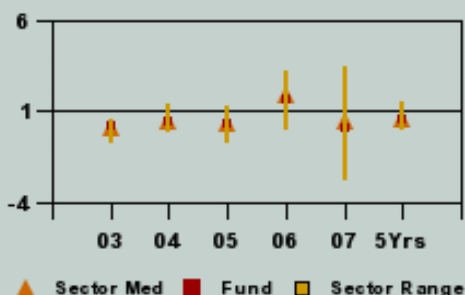
### RISK RETURN (STD DEVIATION) OVER 5 YEARS



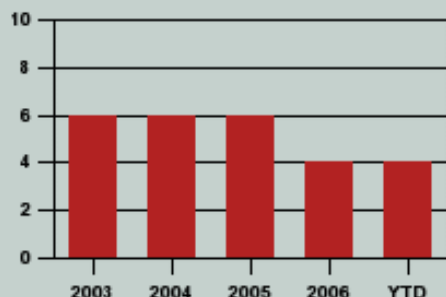
### 3 YEAR RISK CHARACTERISTICS

Maximum Drawdown (%)	Low	-21.3
Volatility	Medium	26.4
Correlation	High	0.9
Beta	Medium	0.8

### SHARPE RATIO VS PEER GROUP



### CALENDAR YEAR DECILE RANKS



Decile ranking in discrete annual periods. 1st decile shown as rank 10, 2nd decile as rank 9, etc. to 10th decile as Rank 1.

Further information on S&P's fund coverage can be found at

[www.funds.standardandpoors.com](http://www.funds.standardandpoors.com)

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### STANDARD & POOR'S OPINION (AUGUST 2007)

Graham Birch and Evy Hambro are key members of the MLIM mining team, which remains amongst the most experienced in the sector. Management of the fund, however, is very much a team effort. Hambro, Birch and Richard Davis all have geological backgrounds coupled with lengthy analytical experience. Catherine May provides dedicated analytical input while the broader team has been expanded with the addition of two analysts and a product specialist.

The investment approach encompasses top-down evaluations of the key drivers of gold and precious metal prices with detailed fundamental analysis including onsite company visits. The team's long-term outlook has led to a steady shift in asset allocation from the mature markets to more emerging markets. However, the size of this fund has limited

positions in countries such as China. This combined with some differences in stock selection has led to marginal differences in performance when compared to the ML Gold & General fund.

The performance within the gold & mining peer group has been respectable. Recent relative returns have not been helped by non-gold exposure being capped at 25% of assets in a sector that contains a number of general mining funds. The team also runs a mining fund, which ranks top decile within the same peer group. Performance of this fund when compared to the FT gold mines index has been strong.

The team's consistent long term approach, strong research driven process and ability to add value through top down positioning allow the fund to retain its S&P AAA rating.

### FACT FILE

**Group:** BlackRock and Merrill Lynch Investment Managers (MLIM) have combined to create one of the world's largest asset management firms with over \$1.1 trillion in assets under management and over 4,500 employees.

**Team:** BlackRock MLIM has one of the strongest and most experienced natural resources teams in the UK. It emphasises understanding companies and visiting them onsite. Three of the team are geologists.

**Fund Manager:** Team head Graham Birch has been a mining analyst for over 22 years. He has

been with BlackRock MLIM since 1993. Evy Hambro has worked for the team in London, Sydney and Toronto since joining in 1994.

**Style:** The fund invests in gold mining and closely related stocks worldwide. The portfolio is stock-specific within top-down themes. Selection is driven by primary research and extensive company contact.

**Performance:** Over the five years to 29/06/2007, the fund has returned 164.3%, compared with 158.6% for the sector median and 45.2% for the index, ranking 21/41.

### FUND MANAGER & TEAM

BlackRock Merrill Lynch's natural resources team in London comprises Graham Birch (team CIO), Evy Hambro, Richard Davis and Catherine May on mining stocks; Robin Batchelor, Poppy Allonby and Sandy Christie on energy; and analysts Desmond Cheung and Joshua Freedman. Assets under management have grown rapidly in recent years to \$35.2bn, of which the gold funds account for \$7.8bn.

Graham Birch - team head - PhD mining geology (Imperial College), was a mining analyst in industry from 1984 until joining MLIM in 1993. He has headed the global resources team since 1999.

Evy Hambro - marketing (Newcastle University), joined the team in 1994, working in Sydney and Toronto, before returning to London in 2000.

Richard Davis - mineral exploration (Imperial College, London), MSc geology (Trinity College, Dublin), worked as a geologist for four years, before moving to MLIM in 1994.

## PORTFOLIO CHARACTERISTICS

No. of holdings	48
Turnover ratio (%)	N/A
% in top 10	57

## TOP 10 HOLDINGS (01/07/07)

	%
Barrick Gold *	7.8
Impala *	7.7
Newcrest Mining *	6.3
Lihir Gold	6.0
Gold Fields *	5.7
Kinross Gold	5.2
Minas Buenaventura	5.1
Oxiana	4.8
Harmony *	4.4
Zijin Mining *	4.2

\* In top 10 holdings a year ago

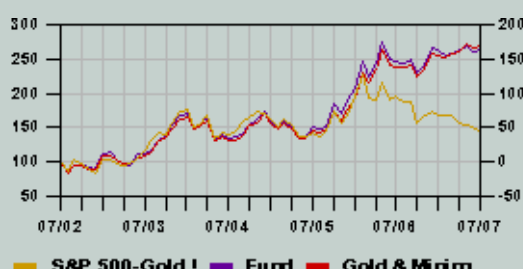
## ALLOCATION BREAKDOWN (01/07/07)

	Fund %
Diamonds	2
Gold	81
Platinum	13
Silver	4
Cash	-

## PERFORMANCE STATISTICS

	3 Years	5 Years
Fund	95.8%	164.3%
Standard & Poor's Peer Median	100.9%	158.6%
Index**	3.4%	45.2%
Fund Rank	42/65	21/41
Standard Deviation	26.4	-
Relative Standard Deviation	1.0	-
Volatility Adjusted Ranking	40/65	-

## CUMULATIVE PERFORMANCE



Ucits III permits net fund exposure to be less or greater than 100%.

# MERRILL LYNCH INTERNATIONAL INVESTMENT FUNDS WORLD GOLD FUND

Peer Group: Gold & Mining Equities



## MANAGEMENT STYLE

The fund invests principally in gold mining shares, researching all areas of production. Up to 30% may be held in other precious metals and diamonds, but this is usually a lot less.

Portfolio construction is primarily bottom-up, with the stock selection incorporating the team's top-down view of world commodity markets.

The process is team-driven and led by Graham Birch. Team members do not have specific country or sector responsibilities but put forward "best ideas" for team approval. Currency risk is factored into their recommendations.

Research centres on the extent of reserves and the cost of production. Stocks are ranked on their expected performance at various gold price levels with preference given to those where performance is geared to movements in the gold price. This makes it easier for the fund to outperform when gold is rising, but when the price is weak, consideration is given to the effect of other metals the companies may also mine.

The fund invests across the market capitalisation range.

Positions in small-caps are normally 2%. Large-cap positions are limited only by Ucits diversification rules. The fund is run virtually fully invested.

## PORTFOLIO REVIEW

The team has begun to move back into the gold majors with the emphasis on companies that can build margins. This move and the M&A activity has led to a decline in the number of holdings in the portfolio.

The shift away from mature producing markets such as North America, South Africa and Australia, towards holdings in a better position to grow has continued through recent additions to holdings in Sino Gold, Kinross, Polyus, Hochschild and Agnico Eagle. Emerging markets exposure has increased

through additions to Russian holdings, and Latin America and China are also overweight with Zijin in the top ten holdings.

Amongst the largest active positions are platinum companies Impala and Acquarius. After gold, the platinum sector is the largest sub-sector followed by silver.

The fund is run fully invested, with some cash equitised in a gold-related ETF to help fund redemptions.

## PERFORMANCE ANALYSIS (JULY 2007)

Looking at the performance of this fund relative to the S&P gold & mining sector may be misleading as non-gold holdings are limited to a maximum of 25%. This has led to outperformance in periods when gold has outperformed, but the fund has underperformed the median manager in the last 18 months. However, the fund ranks amongst the best performing pure gold funds over the long term and has comfortably outperformed relative to the FT Gold Mines index in the past 12 months.

Platinum holdings such as Impala have helped while positive returns in gold stocks have come from the fund investing in exploration companies and being on the right side of M&A activity in the last two years. Barrick's takeover of Placer Dome, Barrick gaining a 50% stake in Tethyan Copper and bidding for NovaGold, and Glamis Gold's purchase of Western Silver are all examples.

Holdings in China, South America and Asia have been amongst the best performers in 2007 to date.

## DISCRETE PERFORMANCE (CALENDAR YEARS)

	2003		2004		2005		2006		YTD 29/06/2007	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	52.5	27/53	-6.6	29/65	30.4	28/67	26.9	50/70	0.5	47/76
Index**	68.3		-8.0		21.4		-14.8		-13.1	
Median	52.5		-7.1		29.4		34.0		3.9	

\*\* S&P 500-Gold

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