

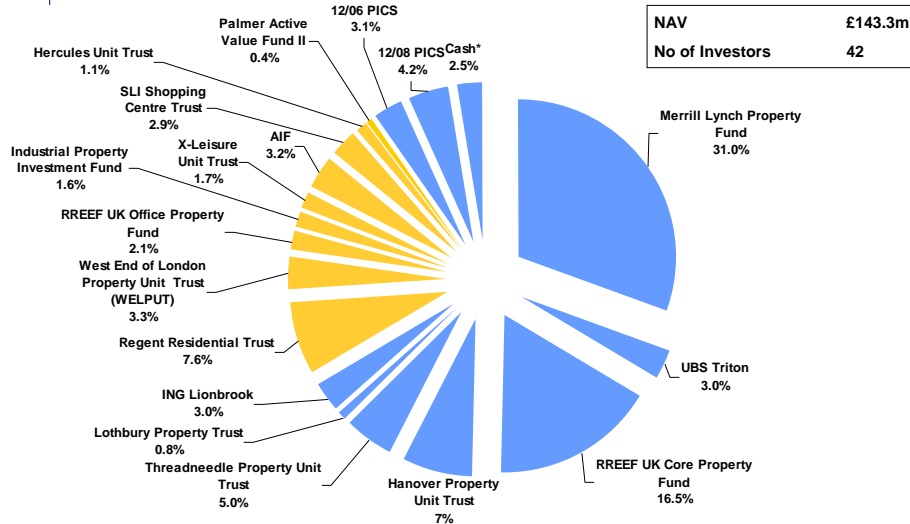
Merrill Lynch UK Property Fund of Funds

MLUKPFoF – Philosophy & Approach

- Research driven process
 - Seeks to avoid the “mistakes”
 - Risk adjusted “active bets”
 - Manager diversification neutralises style bias
 - Performance not reliant on active switching
 - Qualitative manager appraisal
- Leveraging MLIM's “Alternative” skills
 - Complementary to Merrill Lynch Property Fund
 - MLIM real estate track record in indirect products
 - Utilise MLIM real estate market expertise

MLUKPFoF Portfolio Composition as at 8 May 2006

Portfolio holdings as percentage of NAV



Source: MLIM Internal (including transactions post pricing date)
* Direct Cash holding only and does not include underlying exposure to cash in Pooled Vehicles.

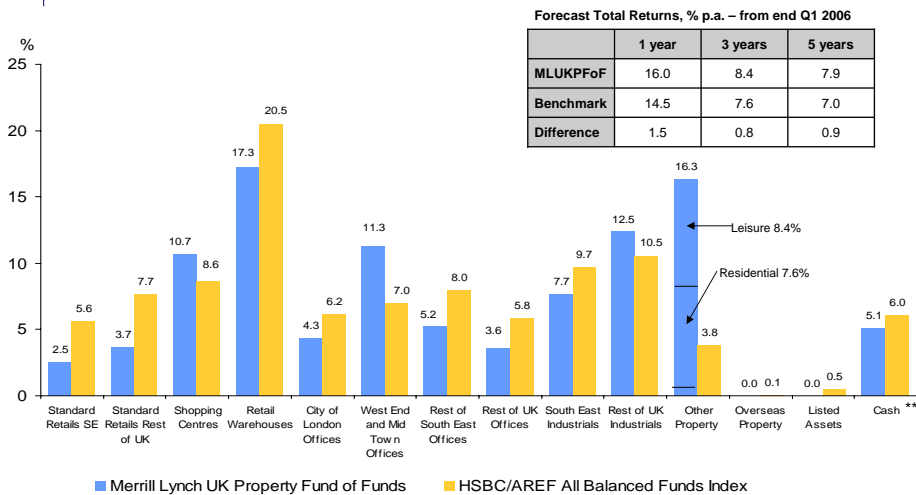
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MLUKPFoF – Sector Spread as at 8 May 2006

(portfolio weightings per cent gross value)



Source: HSBC/AREF Pooled Property Fund Indices.
Association of Real Estate Funds, AREF (Formerly APUT) ** Cash position includes indirect exposure through underlying holdings
No assurance or guarantee can be given that the forecast returns will be achieved.

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MLUKPFoF – Investment Process in Action



180-183 Fleet Street, London EC4

Source: RREEF, MLIM Internal

- Tactical requirement to increase weighting to Central London Offices
- Specialist fund acquisition to enhance balanced managers “slower” re-weighting
- RREEF UK Office Property Fund
 - Specialist office play
 - High & rising Central London Office exposure
 - Well regarded Manager
 - Exit liquidity
- Acquired £3 million of units in December 2005
- 1.8% out-performance in Q1 (6.5% vs 4.7%)

MLUKPFoF – Transaction Activity in Q1 2006

Date	Fund	£m	Rationale
Jan 06	Standard Life Shopping Centre Trust	4.0	Sector allocation requirement
Feb 06	Lothbury Property Trust	1.0	Swap for MLPF Units – maintaining core exposure and fulfilling sector allocation requirement
	Hercules Unit Trust	1.6	
April 06	ING Lionbrook	4.6	Building diversified core holdings
25 April	Palmer Active Value Fund II	5.0	Satellite diversified opportunistic play 12% of £5m commitment invested at fund close
Total investment activity equivalent to 12.4% of Fund January 2006 NAV			

- Direct cash balance as at 7 April was 1.3%
- Direct cash balance as at 8 May is 2.5% (unit creation)

MLUKPFoF – Investment Capacity and Pipeline

- MLUKPFoF has capacity and a strong pipeline
- The Plan's proposed £40 million allocation could be invested over approximately 2 quarters
- As the Plan's bonds are sold, the proceeds could be invested on a phased basis
- Communication is key

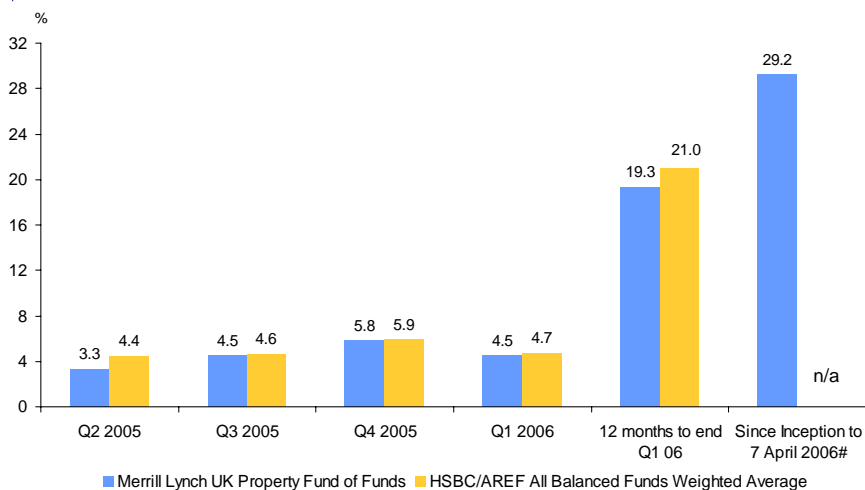
Immediate Plans and / or Existing Commitments		
Fund	£m	Rationale
Palmer Active Value Fund II	4.4	Satellite diversified opportunistic play Drawdown of £5 commitment
Regional Hotel Fund	7.5 (minimum)	Income play
Current Opportunities (Selection)		
Core Funds		Specialist Funds
ING Lionbrook Property Fund		Cordea Savills Student Accommodation Fund
Lothbury Property Trust		The Industrial Trust
UBS Triton Property Fund		The Junction
RREEF UK Core Property Fund		Hercules
Hanover Property Unit Trust		ING Central London Fund
Threadneedle Property Unit Trust		APIA Regional Office Fund
Protego UK Property Fund		RREEF UK Office Property Fund

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MLUKPFoF – Total Return on a NAV Basis per cent to 7 April 2006 (net of all fees and charges)



Source: MLIM Internal MLUKPFoF performance is net of all fees and charges, gross paid income reinvested).
HSBC/AREF Pooled Property Fund Indices (Benchmark performance is net of all fees and charges, gross declared income reinvested).
Inception date 18 August 2004. Past performance is not a guide to future performance.

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