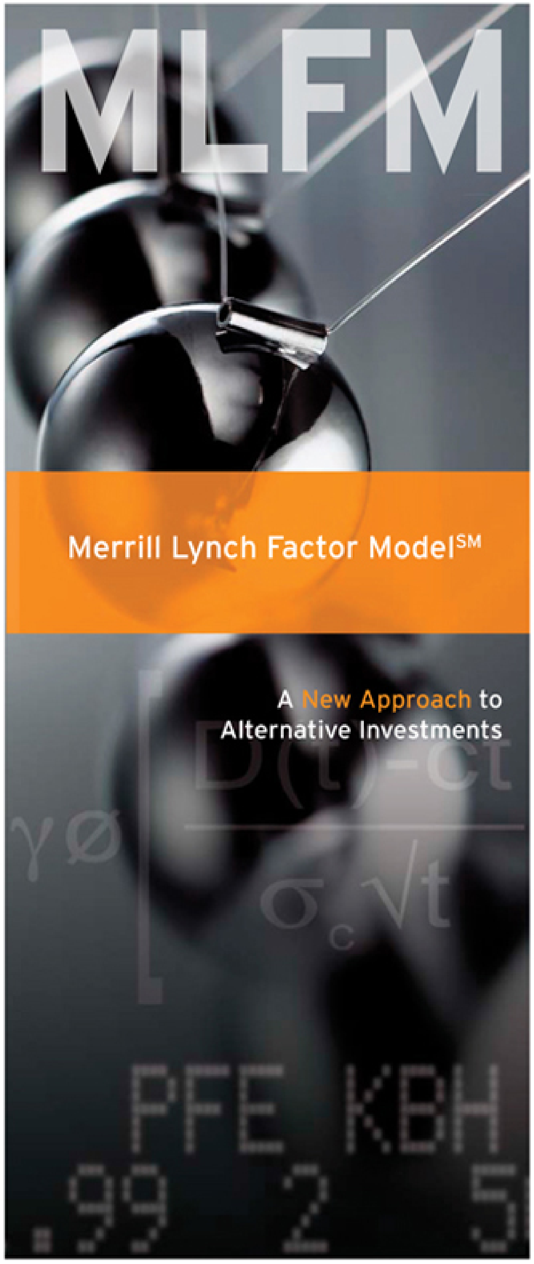
Filed Pursuant to Rule 433
Registration No. 333-132911

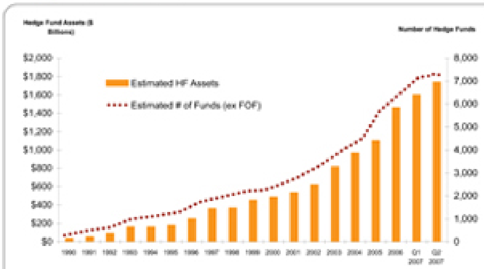


Merrill Lynch Factor Model℠

Overview

The merits of hedge fund investing have been well publicized, and since 1990 hedge fund assets have grown 45-fold to an estimated $1.75 trillion (*Source: HFR Industry Reports© HFR Inc. Q2 2007, www.hedgefundresearch.com, used with permission*). As the level of competition among fund managers has grown, it has become more difficult for average managers to outperform their benchmarks after fees. Passive alternatives to hedge funds, based on well-known and widely traded market measures, represent a natural evolution in an increasingly mature industry.

Hedge Fund Growth



Source: HFR Industry Reports© HFR Inc. Q2 2007, www.hedgefundresearch.com, used with permission

Description

The most common way to employ a passive alternative investment strategy has been through investments in funds of hedge funds. Indices that are designed to measure the performance of the hedge fund universe are another method, but are often non-investable.

The Merrill Lynch Factor Model (the "Model") is designed to provide a high correlation to "hedge fund beta," the portion of hedge fund returns which can be explained by exposure to certain market measures, and not individual manager skill. To accomplish this, the Model seeks to emulate the performance of the HFRI Fund Weighted Composite Index (the "HFRI Composite Index") using the publicly reported prices of a basket of liquid, well-known market measures. The HFRI Composite Index is a non-investable index which tracks the performance of over 2,000 hedge funds on a monthly basis.

The Model is composed of a combination of the following market measures:

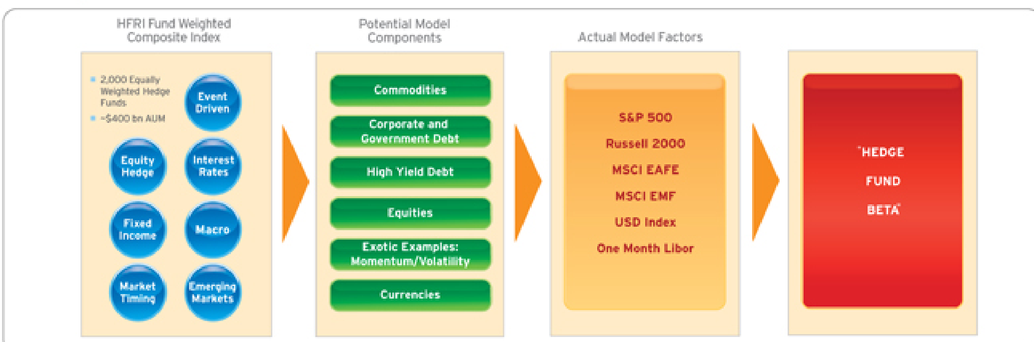
Market Measure[1]	Bloomberg Ticker
S&P 500® Total Return	SPTR <Index>
US Dollar Index®	DXY <Index>
MSCI EAFE Net Total Return®	NDDUEAFE <Index>
MSCI Emerging Markets Free Total Return®	NDUEEGF <Index>
Russell 2000 Total Return®	RU20INTR <Index>
BBA One Month USD Libor	US0001M <Index>

The respective component weightings are rebalanced monthly based upon the monthly performance of each market measure and of the HFRI Composite Index over the previous 24 months. This rebalance is driven by the Model, a proprietary rules-based, discretion-free regression model developed by Merrill Lynch. Exposures to market measures can be positive (long) or negative (short), except for the MSCI Emerging Markets Free Total Return, which can only be long.

Correlation between the Model and the HFRI Composite Index[2]

The above chart shows the correlation of the monthly returns of the Model and the HFRI Composite Index over the preceding 24 month period from January 1996 through August 2007.

Merrill Lynch Factor Model Creation[3]



Benefits of the Merrill Lynch Factor Model℠

	Single Manager	Fund of Hedge Funds	Investable Hedge Fund Indices	Merrill Lynch Factor Model
Daily Liquidity	✗	✗	✗	✓
Full Transparency	✗	✗	✗	✓
Diversified Exposure	✗	✓	✓	✓
Freely Investable & Transferable	✗	✗	✗	✓
Structural Flexibility	✗	✗	✗	✓

Investor Applications

Merrill Lynch has the capability to bring to the market various products linked to the Model. From registered notes for retail investors, to customized notes and OTC products for institutional and private investors, Merrill Lynch can structure products that offer various features such as principal protection, enhanced yield or leverage. Different types of products linked to the Model offer different potential benefits.

For additional information please visit:

MLFM Webpage: gmi.ml.com/factormodel/
Bloomberg Page: MLEIFCTR <Index>
Reuters Page: .MLFACTORMODEL

Factors to Consider

- The Merrill Lynch Factor Model℠ does not represent an investment in hedge funds. Instead the Model aims to achieve a high correlation to "hedge fund beta" through investment in a combination of six well-known, traded market measures.
- There is no guarantee the Model will track the HFRI Composite Index in the future.
- The Model does not reflect the return of owning stocks or other instruments included in any underlying market measure.
- Many factors will affect the level of the Model or the value of any product linked to the Model. These factors interrelate in complex ways and the effect of one factor may offset or magnify the effect of another factor.
- It is possible that you may not earn a return on an investment in any product linked to the Model or that you could lose all or some of an investment in a product linked to the Model.
- For a full description of the risks associated with an investment in any product linked to the Model you should read the relevant offering document before making an investment decision.

The applicable issuer will have filed a registration statement (including a prospectus) with the SEC for any offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents that the applicable issuer has filed with the SEC relating to such offering for more complete information about the issuer and the offering of any securities. You may get these documents without cost by visiting EDGAR on the SEC web site at www.sec.gov. Alternatively, the applicable issuer, any agent or any dealer participating in the particular offering will arrange to send you the prospectus and other documents relating to any such offering by calling toll-free **888-449-3008**.

(1) Each of the market measures included in the Model is a registered trademark and/or service mark of one of the following (each an "Index Provider"): The McGraw-Hill Companies, Inc., Intercontinental Exchange, Inc., MSCI or The Frank Russell Company.

The Model is not sponsored, endorsed, sold or promoted by any Index Provider and none of the Index Providers bears any liability with respect to the Model or any product or offering related to the Model.

Merrill Lynch & Co. or an affiliate thereof has entered into a license agreement with each Index Provider. No purchaser, seller or holder of any product or offering related to the Model should use or refer to any trade name, trademark or service mark listed above to sponsor, endorse, market or promote the Model without first determining whether permission is required.

(2) Data from July 2003 through May 2006 is based on the application of the Model methodology to historical values. Data from June 2006 is actual data. Past performance of the Model is not necessarily indicative of future performance.

(3) The Merrill Lynch Factor Model Creation chart on page two illustrates the process by which Merrill Lynch created the Merrill Lynch Factor Model. After selecting as a benchmark the specific universe of hedge funds, Merrill Lynch determined the composition of publicly available market measures that, when adjusted each month pursuant to its proprietary algorithm, most accurately emulated the performance of the benchmark over a 24 month look-back period.

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