



## ANNUAL SHORT REPORT

BLACKROCK UK ABSOLUTE ALPHA FUND

**BLACKROCK®**

For the period from 1 January 2013  
to 28 February 2014

# BlackRock UK Absolute Alpha Fund

## Changes in accounting and income allocation dates

As communicated in a letter to investors dated 28 May 2013, the Manager has changed the Fund's annual and interim accounting dates to the last day of February and 31 August respectively in order to consolidate the publication of annual and interim reports. This annual short report covers the extended reporting period from 1 January 2013 to 28 February 2014. The period from 1 January 2013 to 31 August 2013 was commented on in the interim report to 31 August 2013. Additionally, the Fund's income allocation dates have changed. For further information, please refer to the most recent Prospectus.

## Summary of Performance over the Period

The BlackRock UK Absolute Alpha Fund achieved a positive return of 2.2%\* over the period from 1 January 2013 to 28 February 2014. Over the six-month period to 28 February 2014, the Fund returned 5.3%\*.

## Fund Managers' Commentary

The UK economy moved firmly into recovery mode during the period helped by loose monetary conditions and the continuing stimulus for the housing market that provided a welcome boost to consumer confidence. In general, developed market economic prospects have improved, while those for emerging markets have fallen.

Focusing specifically on fund performance over the last six months under review, strong gains allowed the Fund to more than recover the losses sustained in the first few months of the period and end with an absolute positive return for the period overall. This gives us confidence that the Fund (in terms of both individual positions and overall positioning) is well-placed to continue the turnaround as it suggests that the equity market is increasingly being driven by fundamentals.

Healthcare company Circle Holdings, previously a significant detractor from performance, added value after shareholders reacted positively to its initiative to raise capital by issuing new shares. Revenue growth and a proposed corporate transaction were behind Carphone Warehouse also contributing strongly to returns. The main detractors from returns were among our short positions (held in the expectation that the share price will fall) which included an online retailer and a consumer goods giant as their already high valuations rose further. Pleasingly, the majority of the pair positions (when long and short positions are matched in the same sector) helped returns, with the best contribution coming from the long position in plant-hire company Ashtead as it benefited from an improving US construction market.

We expect a slow economic growth environment to persist across the global economy with investors increasingly rewarding strong fundamentals and being less forgiving with disappointing company results. Focusing on stock selection and hedging against unwanted risks remains central to our approach as we seek to protect our clients from market volatility.

## March 2014

\* Performance figures quoted are based on bid-to-bid dealing prices (the price at which units are sold) and are not the same as the net asset value reported in the financial statements which is at close of business. Performance is calculated net of fees and reported for the Fund's class P Accumulation Units.

## Distributions Payable

The Fund recorded a net revenue shortfall for the period to 28 February 2014. Accordingly no distribution was payable (31 December 2012: £Nil).

# Performance Record

## Capital (Unit Prices)

Calendar Year	A Income Units		A Accumulation Units		P Accumulation Units		D Accumulation Units#	
	Highest Offer Price p	Lowest Bid Price p	Highest Offer Price p	Lowest Bid Price p	Highest Offer Price p	Lowest Bid Price p	Highest Offer Price p	Lowest Bid Price p
2014*	141.5	130.7	148.2	136.9	128.6	118.8	126.5	122.8
2013	140.1	123.5	146.7	129.3	127.3	112.1	125.2	115.6
2012	141.6	128.4	148.2	134.5	128.1	116.4	124.5	118.8
2011	148.3	128.8	155.4	134.9	133.5	116.4	128.5	118.2
2010	146.7	130.7	153.8	136.9	132.4	118.4	127.3	119.4
2009	143.1	123.6	149.8	129.4	129.2	112.1	123.7	119.1

\* To 28 February. # D Accumulation class commenced July 2009.

## Income (Net Distributions/Net Accumulations)

Calendar Year	A Income Units Per Unit p	A Accumulation Units Per Unit p	P Accumulation Units Per Unit p	D Accumulation Units# Per Unit p
2014*	0.0000	0.0000	0.0000	0.0000
2013	0.0000	0.0000	0.0000	0.0000
2012	0.0000	0.0000	0.0000	0.0000
2011	0.0000	0.0000	0.0000	0.0000
2010	0.0000	0.0000	0.0000	0.0000
2009	0.7741	0.7960	1.3714	N/A

\* To 30 April. # D Accumulation class commenced July 2009.

## Unit Price Summary

	Unit Price as at 28 February 2014	Unit Price as at 31 December 2012
A Income Units	132.1p	129.9p
A Accumulation Units	138.3p	136.1p
P Accumulation Units	120.1p	117.8p
D Accumulation Units	124.2p	120.7p

# Fund Information

## Summary of Investment Objective and Policy\*

The BlackRock UK Absolute Alpha Fund (the “Fund”) seeks to achieve a positive absolute return for investors and, as such, the Fund will not be managed against any UK equity index. The Fund invests primarily in a portfolio of equities and equity-related securities (including derivatives) of companies incorporated or listed in the UK, although from time to time cash and near cash may be held. The Fund may also invest in other transferable securities, permitted money-market instruments, permitted deposits and units in collective investment schemes.

The Fund will invest in derivatives providing both synthetic long and synthetic short positions principally through the use of contracts for differences.

\* Please note that in accordance with the requirements of the Financial Conduct Authority's Collective Investment Schemes Sourcebook, COLL 4.2.5 (3)(ca), additional language has been included in the investment objective of the Fund. This language is driven by a regulatory requirement only and will not alter the way in which the Fund is managed. For further information please refer to the Prospectus.

## Risk Profile

The Fund will normally have lower market exposure than traditional long only funds so will therefore not correspond with the strength and direction in movements of UK stock markets.

## Fund Facts

Fund Managers*	Nigel Ridge & Nick Osborne
Establishment Date	25 April 2005
Assets Under Management	£256,799,009
Income Allocation Dates	30 April & 31 October
Accounting Dates	Last day of February & 31 August

\* The former co-manager, Mark Lyttleton relinquished his fund management responsibilities for the BlackRock UK Absolute Alpha Fund in March 2013.

## Ongoing Charges

The ongoing charges figures are based on expenses for the relevant period. These figures may vary from year to year.

Unit Class	1.1.2013 to 28.2.2014†	1.1.2012 to 31.12.2012
A Income	1.93%	1.93%
A Accumulation	1.93%	1.93%
P Accumulation	1.68%	1.68%
D Accumulation	0.93%	0.93%

† Ongoing charges figures are based on annualised expenses for the period ended 28 February 2014.  
In addition to the above, the Fund is subject to a performance fee on its class P Accumulation and class D Accumulation units.  
No performance fee was charged during the period. The performance fee is charged at 20% on any outperformance of the 3 month Sterling LIBOR return subject to a high water mark as outlined in the Prospectus.

## Risk and Reward Profile

	Lower risk Typically lower rewards							Higher risk Typically higher rewards	
	←							→	
A Income	1	2	3	4	5	6	7		
A Accumulation	1	2	3	4	5	6	7		
P Accumulation	1	2	3	4	5	6	7		
D Accumulation	1	2	3	4	5	6	7		

The risk indicator was calculated incorporating historical or simulated historical data and may not be a reliable indication of the future risk profile of each unit class. The risk category shown is not guaranteed and may change over time. The lowest category does not mean risk free. For more information on this, please see the Fund's Key Investor Information Documents (KIIDs), which are available at [www.blackrock.com](http://www.blackrock.com).

# Portfolio Information

## Five Largest Investments at 28 February 2014

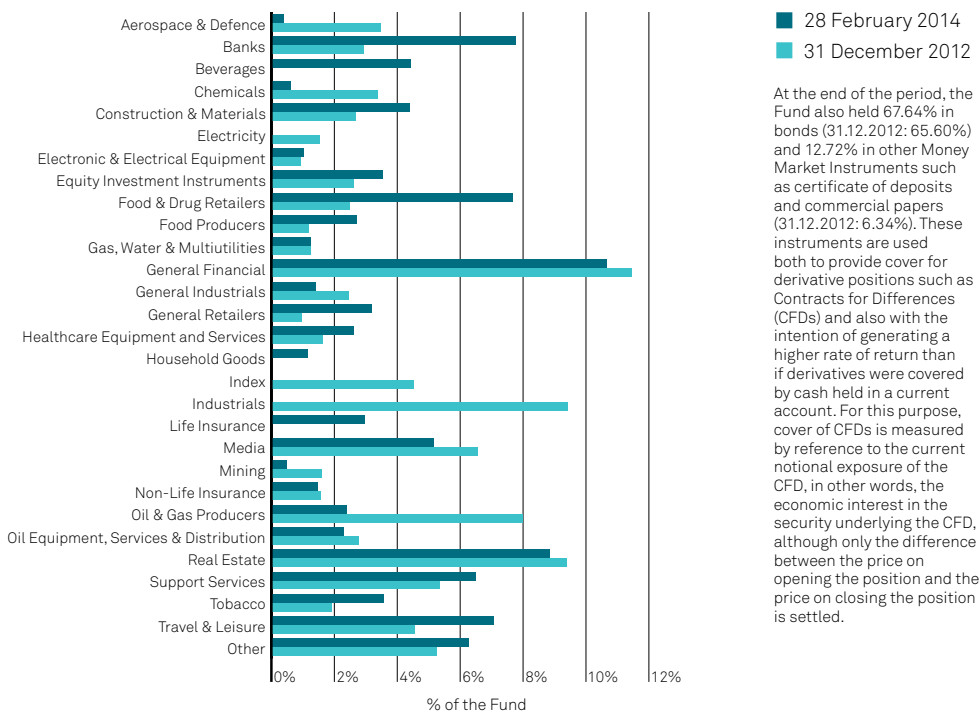
	% of Investments*
Reed Elsevier – Long contract for difference	5.11
Ashtead – Long contract for difference	4.77
3i – Long contract for difference	4.62
Lloyds Banking – Long contract for difference	4.20
Shire – Long contract for difference	3.76

## Five Largest Investments at 31 December 2012

	% of Investments*
LXB Retail Properties	3.96
Shire – Long contract for difference	3.68
UBM – Long contract for difference	3.60
African Petroleum	3.58
British Sky Broadcasting – Long contract for difference	3.51

\* Based on the market and notional values as a proportion of the assets under management.

## Classification of Investments



All financial investments involve an element of risk. Therefore, the value of your investment and the income from it will vary and your initial investment amount cannot be guaranteed. Changes in exchange rates may cause the value of an investment to fluctuate. For up-to-date prices and performance, please visit our website **blackrock.co.uk**.

Past performance is not a guide to future performance and should not be the sole factor of consideration when selecting a product.

### **Report and Accounts**

This report is to inform unitholders on the activities of the Fund during the reporting period, and the results of those activities at the end of the reporting period. For more information please contact the Manager. Copies of the Full Reports are available free of charge upon request from the BlackRock Investor Services Team on **0800 44 55 22**.

You can obtain further information on this Fund by contacting your Financial Adviser. Alternatively, for more details on this and other BlackRock® Funds, including up to date prices and performance, please contact BlackRock Investor Services on 0800 44 55 22 or visit [blackrock.co.uk](https://blackrock.co.uk). For your protection, telephone calls are usually recorded. This Report relates to the packaged products of, and is issued by, the Manager and Registrar: BlackRock Fund Managers Limited, 12 Throgmorton Avenue, London EC2N 2DL. Authorised and regulated by the Financial Conduct Authority. Registered in England No. 1102517. Trustee: BNY Mellon Trust & Depositary (UK) Limited, 160 Queen Victoria Street, London EC4V 4LA. Authorised and regulated by the Financial Conduct Authority. Auditor: Ernst & Young LLP, 1 More London Place, London SE1 2AF.

### **For more information**

0800 44 55 22

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