



## ANNUAL SHORT REPORT

BLACKROCK ABSOLUTE RETURN BOND FUND

**BLACKROCK®**

For the period from 1 December 2012  
to 28 February 2014

# BlackRock Absolute Return Bond 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 December 2012 to 28 February 2014. The period from 1 December 2012 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 Absolute Return Bond Fund achieved a positive return of 2.6%\* over the period 1 December 2012 to 28 February 2014. Over the six-month period to 28 February 2014, the Fund returned 1.2%\*.

## Fund Manager's Commentary

The second half of 2013 was dominated by geopolitical risks and a renewed focus on global monetary policy. Yields on 10 year Treasuries steadily increased from 1.6% in May 2013 to almost 3% by the end of August 2013 (bond prices fell). Central banks moved to reassure investors and optimism recovered. However, in early 2014, this positive mood reversed amid further volatility in emerging markets, disappointing US economic data, persistent concerns over low growth in Europe, Chinese currency volatility and the situation in Ukraine.

Within our portfolio, European and UK corporate bond strategies were the strongest performers over the period as we found some relative value opportunities amid continued market volatility. Model-based strategies made positive contributions overall, with consistent performance in European corporate bond and asset allocation strategies offsetting small losses in macro and currency strategies.

Over the last six months, this trend remained in evidence as central banks' monetary policies continued to prove supportive for risk assets, such as corporate bonds. European and UK corporate bond strategies and the corresponding model-based strategies continued to perform well. Asian and emerging market debt strategies underperformed due to persistent volatility, particularly in local currencies.

We continue to actively manage our duration position (duration is a measure of a bond's sensitivity to changes in interest rates) to keep the Fund market neutral amid volatility. We believe this will help us protect returns as government bond yields continue their gradual rise (bond prices fall) to more normal levels. We reduced the Fund's sensitivity to rising yields by managing the Fund's duration near zero.

We believe that divergence of global central bank policies will remain a key investment theme. Any poor timing or lack of coordination relating to exit strategies from financial stimulus programmes is likely to cause further 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

P Accumulation	The final accumulation distribution payable on 30 April 2014 is 0.3055p net per accumulation unit (31 January 2013: Nil).
D Accumulation	The final accumulation distribution payable on 30 April 2014 is 0.4788p net per accumulation unit (31 January 2013: Nil).
X Accumulation	The final accumulation distribution payable on 30 April 2014 is 0.8041p net per accumulation unit (31 January 2013: 0.5951p net per accumulation unit).

# Performance Record

## Capital (Unit Prices)

Calendar Year	P Accumulation Units		D Accumulation Units		X 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
2014*	111.5	105.5	107.1	106.4	108.5	107.8
2013	111.5	103.7	106.8	104.2	108.2	105.0
2012	109.2	100.2	104.5	100.3	105.3	100.4
2011#	105.3	99.50	100.4	99.50	100.5	99.50

\* To 28 February. # Fund launched on 30 September 2011.

## Income (Net Accumulations)

Calendar Year	P Accumulation Units Per Unit p	D Accumulation Units Per Unit p	X Accumulation Units Per Unit p
2014*	0.3055	0.4788	0.8041
2013	0.6000	0.9302	1.9604
2012	0.0000	0.0000	0.0000
2011#	0.0000	0.0000	0.0000

\* To 30 April. # Fund launched on 30 September 2011.

## Unit Price Summary

	Unit Price as at 28 February 2014	Unit Price as at 30 November 2012
P Accumulation Units	105.9p	103.1p
D Accumulation Units	106.8p	103.6p
X Accumulation Units	108.3p	104.3p

# Fund Information

## Summary of Investment Objective and Policy\*

The BlackRock Absolute Return Bond Fund (the "Fund") aims to achieve a positive absolute return for investors regardless of market movements and as such the Fund will not be managed against any fixed income benchmark. The Fund will seek to achieve this investment objective by taking long positions and using derivatives to take synthetic long and synthetic short investment positions.

\* 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 is exposed to currency fluctuations, changes in interest rates and credit worthiness of the underlying security issuers, which may all cause the value of the Fund to fall or rise. The strategies utilised by the Fund involve the use of derivatives to facilitate certain investment management techniques including the establishment of both 'long' and 'synthetic short' positions which may result in the creation of market leverage. The use of derivatives in this manner may have the effect of increasing the overall risk profile of the Fund and increases the impact of market movements. The Fund invests in economies and markets which may be less developed; these markets are subject to greater movement due to increased uncertainty as to how they operate.

## Fund Facts

Fund Manager	Ian Winship
Establishment Date	30 September 2011
Assets Under Management	£98,602,440
Income Allocation Dates	30 April & 31 October
Accounting Dates	Last day of February & 31 August

## Ongoing Charges

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

Unit Class	1.12.2012 to 28.2.2014†	30.9.2011 to 30.11.2012*
P Accumulation	1.39%	1.31%
D Accumulation	0.89%	0.81%
X Accumulation	0.39%	0.31%

† Ongoing charges figures are based on annualised expenses for the period ended 28 February 2014. \* Fund launched on 30 September 2011. Ongoing charges figures are based on annualised expenses for the period ended 30 November 2012. In addition to the above, the Fund is charged a performance fee. A performance fee of 10% is payable on any returns, subject to a High Water Mark, above the 3 Month Sterling LIBOR, in respect to class P Accumulation and class D Accumulation units. Any performance fee relating to X Accumulation units will be charged outside of the Fund as agreed between the relevant unitholder and the Manager. The performance fee charged for the period with respect to P Accumulation units and D Accumulation units was £7,297 and £41,373 respectively, representing 0.1% and 0.2% of their respective average Net Asset Values (NAV) for the period (30 November 2012: £4,720 with respect to P Accumulation units and £5,243 with respect to D Accumulation units, representing 0.3% and 0.3% of their respective average NAV's for the period).

## Risk and Reward Profile

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

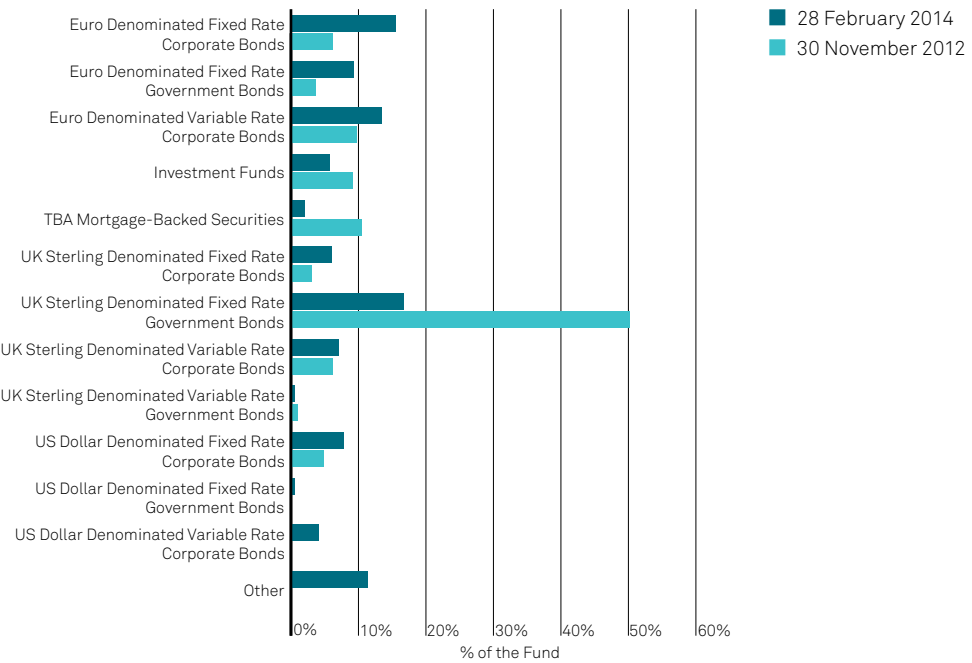
## Five Largest Investments at 28 February 2014

	% of Fund Value
BlackRock Corporate Bond Fund	3.67
Italy (Republic) 2.55% Bonds 22/10/2016	3.36
Germany (Federal Republic) 6.25% Bonds 4/1/2024	3.04
Treasury 0% Bills 3/3/2014	2.54
Treasury 0% Bills 24/3/2014	2.03

## Five Largest Investments at 30 November 2012

	% of Fund Value
Treasury 0% Bills 4/2/2013	5.89
Treasury 0% Bills 7/5/2013	5.88
Government National Mortgage Association 3% TBA 15/12/2042	5.23
Treasury 0% Bills 17/12/2012	4.91
Treasury 0% Notes 11/2/2013	4.90

## 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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