



## ANNUAL SHORT REPORT

BLACKROCK EUROPEAN ABSOLUTE ALPHA FUND

**BLACKROCK®**

For the period from 1 January 2013  
to 28 February 2014

# BlackRock European 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 European Absolute Alpha Fund achieved a positive return of 7.1%\* over the period from 1 January 2013 to 28 February 2014. For reference, the 3 month sterling LIBOR was up by 0.6% over the same period. Over the six-month period to 28 February 2014, the Fund returned 4.2%\* while the 3 month sterling LIBOR returned 0.3%.

## Fund Manager's Commentary

2013 began positively, supported by a benign political environment, supportive company valuations and investment flows returning to the market. However, by the end of the first quarter, political instability returned with the inconclusive Italian election and a potential bailout in Cyprus. Even with these worries the market drove higher until the end of May, when US tapering talks derailed the positive momentum. Stocks then recovered, particularly those in peripheral European countries, culminating in the market having its best return since 2009.

The Fund's long book drove returns, particularly through positions in the industrials and consumer discretionary sectors. Notably, a long position in Danish jeweller Pandora performed well, as did a position in Irish airline Ryanair. The short book detracted overall, especially through positions in industrials and healthcare, although short positions in selected Spanish banks were particularly profitable.

Over the past six months, the long book has been the key driver with the short book detracting. Long positions in financials and healthcare proved profitable as did short positions in energy. Short positions in financials and consumer discretionary detracted.

Significantly, the Fund's long positions (i.e. those taken with the expectation that the asset will rise in value) focus on companies particularly sensitive to the rate of economic growth. Our short positions (i.e. those taken with the expectation that the asset will fall in value) currently centre on emerging markets, where we are generally cautious.

Looking to the future, given that public policy and political uncertainties have eased and the eurozone has passed the peak of austerity measures, we expect equity markets to provide relatively strong returns in 2014.

## 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 accumulation distribution was payable (31 December 2012: ENil).

# Performance Record

## Capital (Unit Prices)

Calendar Year	P Accumulation Units		D Accumulation Units	
	Highest Offer Price p	Lowest Bid Price p	Highest Offer Price p	Lowest Bid Price p
2014*	127.6	118.5	125.6	122.3
2013	124.7	113.4	122.6	116.4
2012	120.1	107.6	117.3	109.9
2011	113.4	97.64	110.2	98.74
2010	107.6	97.39	103.5	98.21
2009#	103.3	95.10	102.5	95.10

\* To 28 February. # Fund launched on 31 March 2009.

## Income (Net Accumulations)

No accumulation distribution has been reinvested since launch on either unit class.

## Unit Price Summary

	Unit Price as at 28 February 2014	Unit Price as at 31 December 2012
P Accumulation Units	121.5p	113.4p
D Accumulation Units	125.6p	116.4p

# Fund Information

## Summary of Investment Objective and Policy\*

The BlackRock European 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 European equity index. 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.

The Fund primarily aims to gain investment exposure to equities and equity-related securities of, or giving exposure to, companies incorporated or listed in the European Economic Area and Switzerland. In order to gain this exposure, the Fund invests primarily in derivatives, equities and equity-related securities and, when determined appropriate, cash and near cash. The Fund may also invest in other transferable securities, permitted money-market instruments, permitted deposits and units in collective investment schemes.

\* 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 always reflect the strength and direction in movements of European stock markets. Additional market exposure through derivatives will increase the impact of market movements. Currency fluctuations may also cause the Fund to fall or rise and techniques are used to control currency risk, although it does not remove it entirely.

## Fund Facts

Fund Manager	Vincent Devlin
Establishment Date	27 March 2009
Assets Under Management	£70,455,877
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	1.1.2013 to 28.2.2014†	1.1.2012 to 31.12.2012
P Accumulation	1.71%	1.77%
D Accumulation	0.96%	1.02%

† 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. 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 Fund's Prospectus. The performance fee charged for the period with respect to P Accumulation units and D Accumulation units was £368,668 and £576,744 respectively, representing 1.3% and 1.7% of their respective average Net Asset Value (NAV) for the period (31 December 2012: £216,228 with respect to P Accumulation units and £98,451 with respect to D Accumulation units, representing 1.0% and 1.0% of their respective average NAV).

## 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		

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

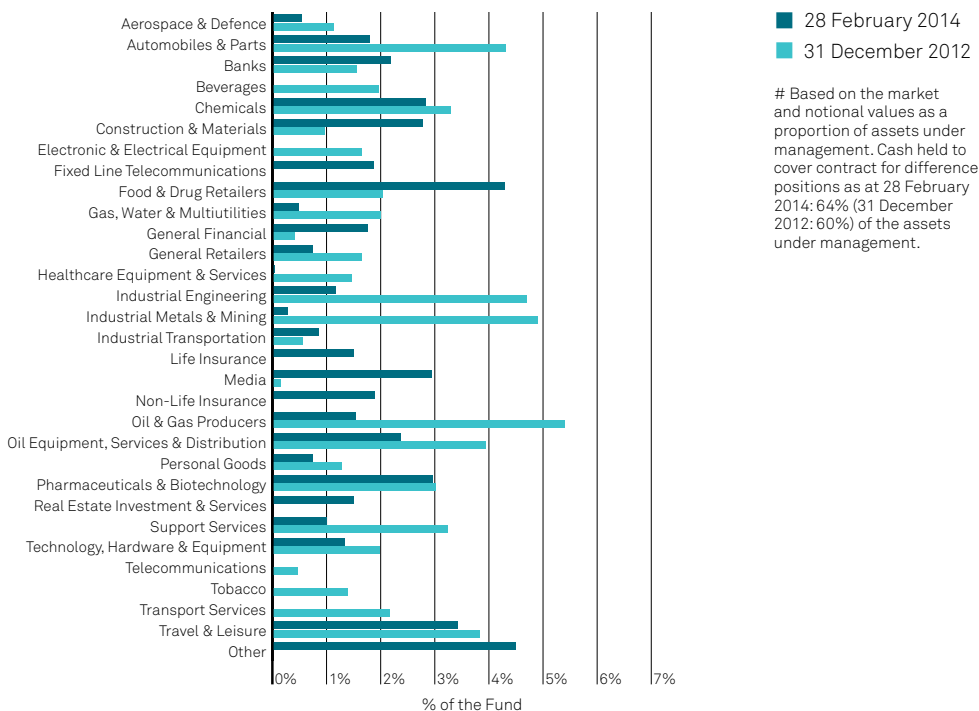
	% of Investments*
Airbus – Long contract for difference	3.27
Société Générale – Long contract for difference	3.26
Rio Tinto – Long contract for difference	3.14
Direct Line Insurance	3.03
Novartis – Long contract for difference	2.83

## Five Largest Investments at 31 December 2012

	% of Investments*
Remy Cointreau	3.29
Novo Nordisk – Long contract for difference	2.83
Schnieder Electric	2.78
BBVA	2.64
Compagnie Financiere Richemont – Long contract for difference	2.64

\* 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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