



## INTERIM SHORT REPORT

BLACKROCK ABSOLUTE RETURN BOND FUND

**BLACKROCK®**

For the period from 1 December 2012  
to 31 August 2013

# BlackRock Absolute Return Bond Fund

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. Although the Interim Report for the BlackRock Absolute Return Bond Fund has already been produced as at 31 May 2013, this report covers the extended reporting period from 1 December 2012 to 31 August 2013. For further information, please refer to the most recent Prospectus.

## Summary of Performance over the Period

The BlackRock Absolute Return Bond Fund gained 1.4%\* over the period from 1 December 2012 to 31 August 2013. For reference, 3-month Sterling LIBOR returned 0.4% over the same period.

The year started strongly. April, in particular, was a very good month for bond markets, especially corporate bonds as central banks continued to support markets amid worsening global economic fundamentals. However, bond markets then fell sharply in May due to growing uncertainty over the US Federal Reserve's plans to scale back quantitative easing. In June, market participants began to price in the possibility of higher interest rates and global bond yields rose sharply, with 10-year US Treasuries reaching 2.6%. This had a severe impact on local currency emerging market debts and led to the largest outflows seen in this asset class since the global financial crisis of 2008.

Since July, central bankers, including new Bank of England governor Mark Carney, have used 'forward guidance' to talk down the possibility of any imminent rise in interest rates.

## Fund Manager's Commentary

European credit and UK macro strategies were the best performing fundamental strategies over the period as we found some relative value opportunities amid faltering market sentiment and mixed economic data. Asian and emerging market debt strategies struggled to perform given renewed concerns about low growth in China. Our currency strategy also continued to underperform and we have reduced the Fund's risk exposure within this asset class.

Model-based strategies made an overall positive contribution to returns over the period, despite three months of negative relative performance. European credit and asset allocation were the best performers, while relatively negative returns in macro and currency strategies offset some gains. We have been very active in hedging out excess duration and credit risk given evidence of rising global bond yields and continued market volatility.

Divergence of central bank policies across the globe will be a key theme going forward. Poor timing or lack of coordination of exit strategies from quantitative easing will likely cause further market volatility.

## September 2013

\* 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.

P Accumulation	The interim accumulation payable on 31 October 2013 is 0.4000p net per accumulation unit.
D Accumulation	The interim accumulation payable on 31 October 2013 is 0.5983p net per accumulation unit.
X Accumulation	The interim accumulation payable on 31 October 2013 is 0.8081p 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
2013*	111.5	103.7	106.8	104.2	108.0	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 31 August. # 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
2013*	0.6000	0.9302	1.9604
2012	0.0000	0.0000	0.0000
2011#	0.0000	0.0000	0.0000

\* To 31 October. # Fund launched on 30 September 2011.

## Unit Price Summary

	Unit Price as at 31 August 2013	Unit Price as at 30 November 2012
P Accumulation Units	104.6p	103.1p
D Accumulation Units	105.4p	103.6p
X Accumulation Units	106.5p	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.

## 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	£77,002,761
Income Allocation Dates	31 October & 30 April
Accounting Dates	31 August & last day of February

## 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 31.8.2013†	30.9.2011 to 30.11.2012*
P Accumulation	1.46%	1.31%
D Accumulation	0.96%	0.81%
X Accumulation	0.46%	0.31%

† Ongoing charges figures are based on annualised expenses for the period ended 31 August 2013. \* 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 is £99 on class P Accumulation and £2,394 on class D Accumulation units.

## Risk and Reward Profile

	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

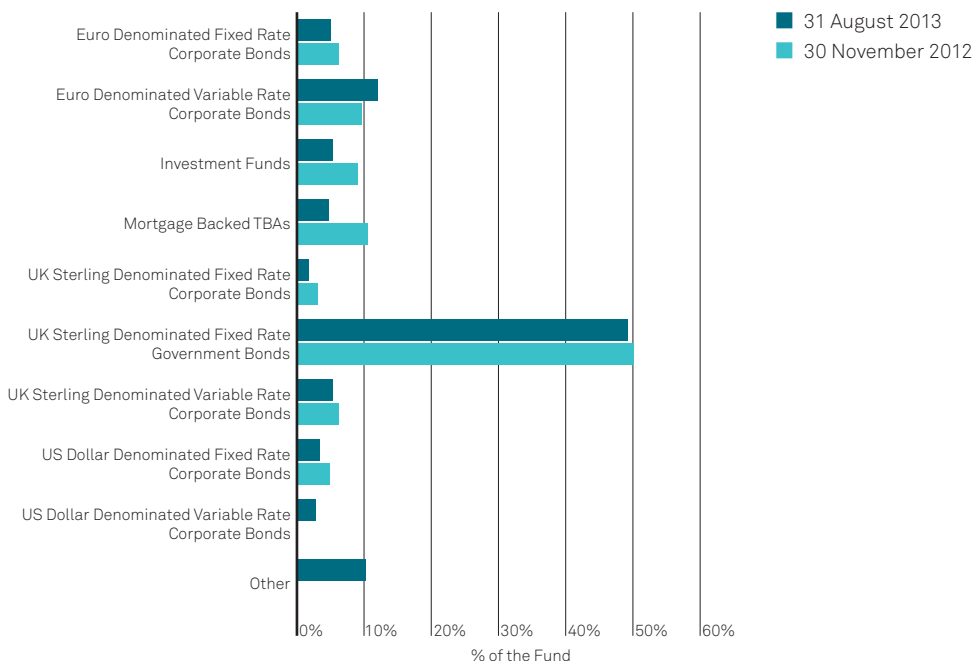
## Five Largest Investments at 31 August 2013

	% of Fund Value
Treasury 0% Bills 21/10/2013	4.54
Treasury 0% Bills 23/9/2013	3.24
Treasury 0% Bills 25/11/2013	3.24
Treasury 0% Bills 23/12/2013	3.24
Treasury 0% Bills 3/3/2014	3.24

## 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

[blackrock.co.uk](https://blackrock.co.uk)

**BLACKROCK®**