

INTERIM REPORT

**BLACKROCK®**

**BlackRock European Dynamic Fund**

For the period from 1 March 2013 to 31 August 2013

## About the Fund Manager



Alister Hibbert, Managing Director and portfolio manager, is a member of the European Equity team within the Fundamental Equity division of BlackRock's Alpha Strategies Group. He has responsibility for continental European portfolio management, adopting a flexible style, as well as being the lead portfolio manager of a long/short equity absolute return fund. Prior to joining BlackRock® in 2008, Mr. Hibbert was an investment director with Scottish Widows Investment Partnership from 2005, responsible for continental European portfolios. Mr. Hibbert was a European equity portfolio manager with Oechsle International from 2004-2005, and Invesco Perpetual from 1996-2004. He began

his career with Ernst & Young in 1994. Mr. Hibbert earned a BSc degree in economics from Bristol University in 1992.

## Investment Objective & Policy

The aim of the BlackRock European Dynamic Fund (the "Fund") is to achieve long-term capital growth for investors. The Fund invests primarily in the shares of companies incorporated or listed in Europe excluding the UK which we consider exhibit either growth or value investment characteristics, placing an emphasis as the market outlook warrants. The Fund may also invest in collective investment schemes.

The Fund was established on 14 August 2000 as Merrill Lynch European Dynamic Fund. The Fund changed its investment objective on 1 October 2006. The Fund adopted its present name with effect from 28 April 2008.

### Changes in accounting and income allocation dates

As communicated in a letter to investors dated 28 May 2013, the Manager has changed the annual and interim accounting dates of all BlackRock Fund Managers Limited retail authorised unit trust schemes in order to consolidate the publication of annual and interim reports. Additionally, income allocation dates may have changed.

Annual short reports for all BlackRock Fund Managers Limited retail authorised unit trust schemes will be produced as at the last day of February<sup>1</sup> and will be sent to investors on or shortly after 21 May each year. Half-yearly short reports for all Funds will be produced as at 31 August and will be sent to investors by 31 October each year. The changes in accounting and income allocation dates have had no impact on the Fund.

<sup>1</sup> Please note that the last day of February will be 28 February or 29 February in a leap year.

Copies of Manager's Reports and Prospectus are available on request.

Dealing and Investor Services: 0800 44 55 22  
blackrock.co.uk

# BlackRock European Dynamic Fund

This Interim Report covers the period from 1 March 2013 to 31 August 2013.

## Performance Table

	Period of Report from 1.3.2013 to 31.8.2013	Five Years to 31.8.2013	Since Launch 28.2.2002 to 31.8.2013
<b>The Fund returned:</b>			
<b>Capital Return</b>			
A Income Units	<b>+2.2%</b>	+78.6%	+235.4%
<b>Total Return (with net income reinvested)</b>			
A Accumulation Units	<b>+2.8%</b>	+83.9%	+249.1%
<b>The Benchmark returned:</b>			
<b>Capital Return</b>			
FTSE World Europe ex UK Index*	<b>+0.9%</b>	+3.4%	+46.0%
<b>The Benchmark returned:</b>			
<b>Total Return (with net income reinvested)</b>			
FTSE World Europe ex UK Index*†	<b>+3.7%</b>	+24.5%	+113.2%

All Fund figures quoted are based on bid-to-bid dealing prices (the price at which units are sold). Performance is calculated net of fees.  
 \* Figures from Datastream. † Gross income reinvested.

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

## Annual performance to most recent quarter end

	30.6.2012 to 30.6.2013	30.6.2011 to 30.6.2012	30.6.2010 to 30.6.2011	30.6.2009 to 30.6.2010	30.6.2008 to 30.6.2009
BlackRock European Dynamic Fund	<b>+34.5%</b>	-15.6%	+37.9%	+32.9%	-16.4%

All figures quoted are based on bid-to-bid dealing prices (the price at which units are sold), with net income reinvested. Performance is calculated net of fees. Performance is shown for complete 12 month periods only.

# Performance Record

## Net Asset Value

At 31 August 2013	Units in Issue	Net Asset Value £	Net Asset Value per Unit p
A Income	52,855,662	164,605,426	311.4
A Accumulation	314,452,808	1,019,136,309	324.1
D Income	39,153,539	122,356,636	312.5
D Accumulation	192,486,304	634,471,754	329.6

## Income

Any income available is distributed annually on 30 April.

## 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
D Income	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).

## Ongoing Charges

Detailed in the following table are the charges used to meet the costs of running the Fund, which include the costs of marketing and distribution. These charges reduce the potential growth of your investments. The charges may vary from year to year. The charges exclude portfolio trade-related costs, except costs paid to the custodian/trustee and entry/exit charges paid to an underlying collective investment scheme (if any).

Unit Class	1.3.2013 to 31.8.2013†	1.3.2012 to 28.2.2013
A Income	1.67%	1.67%
A Accumulation	1.67%	1.67%
D Income	0.92%	0.92%#
D Accumulation	0.92%	0.92%

† Ongoing charges figures are based on annualised expenses for the period ended 31 August 2013.

# D Income class commenced October 2012. Ongoing charges figure is based on annualised expenses for the period ended 28 February 2013.

# Investment Report

## Summary of Performance over the Period

The BlackRock European Dynamic Fund gained 2.8%\* over the period from 1 March 2013 to 31 August 2013. Regrettably, it underperformed its benchmark, the FTSE World Europe ex UK Index, which was up by 3.7%.

The Fund's underweight exposure to financials hurt performance as the sector outperformed. Stock selection in healthcare and industrials also had a negative impact.

## Fund Manager's Commentary

A positive mood prevailed over the period as investors continued to allocate funds back into eurozone markets. However, market gains were curtailed by lingering political risk, notably a surprising election result in Italy and a messy bail-out in Cyprus in March, and increased financial risks from other regions, such as discussions over 'tapering' of quantitative easing in the US. Economically, the eurozone finally began to show signs of recovery and investors started to look forward to the prospect of growth by the end of the year.

Both sector allocation and stock selection caused the Fund's underperformance during the period. Its underweight exposure to financials acted as a drag on returns as the sector outperformed in an optimistic market. Stock selection in healthcare and industrials also proved especially challenging. A holding in Danish insulin treatment business Novo Nordisk struggled amid positive news from a competitor and negative reports concerning the side effects of one of its drugs.

These negative contributors were partially offset by a relatively positive contribution from Kabel Deutschland, which rose after being the subject of a bid from Vodafone.

Fund activity included a move to an overweight exposure to the financials sector through the addition of several holdings in banks, about which we are now more positive, while being mindful of potential changes in regulation at the end of the year. We also reduced the Fund's exposure to basic materials and consumer goods, especially beverage producers.

Given supportive monetary policies, recovering economic momentum and a relatively stable political backdrop, we expect a reassuring environment for European equities and expect Europe to continue to recover into 2014. This is notwithstanding some uncertainty ahead of the German elections in September and the unstable political situation in Italy.

## 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 A Accumulation Units.

# Portfolio Statement (unaudited)

at 31 August 2013

<b>Holding or Nominal Value Investment</b>	<b>Market Value £</b>	<b>% of Total Net Assets</b>
<b>Belgium – 4.85%; 2013 4.43%</b>		
690,430 Anheuser-Busch InBev	41,420,503	2.13
1,861,570 KBC	52,777,410	2.72
	<b>94,197,913</b>	<b>4.85</b>
<b>Denmark – 9.23%; 2013 7.80%</b>		
1,355,475 Christian Hansen	28,964,134	1.49
1,562,491 GN Store Nord	20,711,089	1.07
675,005 Novo Nordisk	72,735,447	3.75
1,207,303 Novozymes class 'B' shares	28,281,183	1.46
1,222,999 Pandora	28,397,312	1.46
	<b>179,089,165</b>	<b>9.23</b>
<b>Finland – 2.35%; 2013 3.32%</b>		
625,575 Kone	33,007,793	1.70
419,680 Wartsila	12,638,873	0.65
	<b>45,646,666</b>	<b>2.35</b>
<b>France – 21.27%; 2013 31.05%</b>		
4,038,064 AXA	56,725,308	2.92
995,088 Capgemini	35,145,950	1.81
225,048 Eiffage	7,696,310	0.40
172,489 Kering	25,127,537	1.29
342,915 Lafarge	13,500,004	0.70
931,546 Legrand	30,471,873	1.57
132,805 L'Oréal	14,291,976	0.74
319,383 Publicis	15,332,780	0.79
158,676 Remy Cointreau	10,754,233	0.55
767,851 Renault	35,389,936	1.82
3,926,617 Rexel	58,239,045	3.00
746,245 Sanofi	46,238,375	2.38
2,266,353 Société Générale	63,973,302	3.30
	<b>412,886,629</b>	<b>21.27</b>
<b>Germany – 13.73%; 2013 17.66%</b>		
744,553 Bayer	53,546,381	2.76
4,688,771 Commerzbank	35,123,317	1.81
663,302 Continental	64,568,971	3.33
1,559,898 Deutsche Post	29,079,802	1.50
919,236 SAP	43,887,319	2.26
274,718 Volkswagen non voting preference shares	40,265,746	2.07
	<b>266,471,536</b>	<b>13.73</b>

# Portfolio Statement (unaudited) continued

<b>Holding or Nominal Value Investment</b>	<b>Market Value £</b>	<b>% of Total Net Assets</b>
<b>Greece – 0.10%; 2013 0.00%</b>		
296,986 OPAP	1,865,735	0.10
<b>Ireland – 4.31%; 2013 3.87%</b>		
641,533 Paddy Power	33,302,953	1.72
8,921,608 Ryanair	50,267,936	2.59
	<b>83,570,889</b>	<b>4.31</b>
<b>Italy – 1.37%; 2013 5.19%</b>		
2,278,702 Atlantia	26,532,898	1.37
<b>Netherlands – 11.75%; 2013 2.94%</b>		
531,945 ASML	30,067,146	1.55
1,791,909 EADS	66,596,115	3.43
6,930,390 ING Bank	48,524,250	2.50
4,388,193 Reed Elsevier	51,114,229	2.63
1,248,237 Ziggo	31,882,898	1.64
	<b>228,184,638</b>	<b>11.75</b>
<b>Norway – 0.98%; 2013 0.00%</b>		
2,063,873 Gjensidige Forsikring	18,929,422	0.98
<b>Portugal – 1.11%; 2013 1.23%</b>		
1,724,825 Jeronimo Martins	21,590,636	1.11
<b>Spain – 3.66%; 2013 5.37%</b>		
703,677 Amadeus IT Holding	14,653,564	0.76
1,411,024 Grifols	36,521,965	1.88
231,150 Inditex	19,732,918	1.02
	<b>70,908,447</b>	<b>3.66</b>
<b>Sweden – 4.88%; 2013 3.63%</b>		
884,350 Assa Abloy series 'B' shares	24,277,727	1.25
1,202,407 Hexagon series 'B' shares	22,259,857	1.15
5,888,124 Nordea Bank	44,238,627	2.28
226,554 SKF series 'B' shares	3,867,608	0.20
	<b>94,643,819</b>	<b>4.88</b>

<b>Holding or Nominal Value Investment</b>	<b>Market Value £</b>	<b>% of Total Net Assets</b>
<b>Switzerland – 16.52%; 2013 13.06%</b>		
1,138,744 Compagnie Financiere Richemont	69,794,751	3.60
522,291 DKSH	25,276,234	1.30
1,522,832 GAM	17,262,916	0.89
46,738 Partners Group	7,715,675	0.40
617,577 Roche	99,382,668	5.12
390,422 Swiss Re	19,314,019	1.00
4,370,775 UBS	54,608,171	2.81
169,553 Zurich Financial Services	27,226,288	1.40
	<b>320,580,722</b>	<b>16.52</b>
<b>United Kingdom – 2.53%; 2013 0.00%</b>		
17,341,123 Barclays	49,127,401	2.53
<b>IRISH INVESTMENT FUNDS – 1.36%; 2013 1.43%</b>		
<b>Cash – 1.36%; 2013 1.43%</b>		
26,318,660 Institutional Cash Series plc – Sterling Liquidity Fund*	26,318,660	1.36
<b>DERIVATIVES – (0.04%); 2013 0.00%</b>		
<b>Futures – (0.04%); 2013 0.00%</b>		
837 STOXX Europe 50 September 2013	(721,959)	(0.04)
<b>Portfolio of investments</b>	<b>1,939,823,217</b>	<b>99.96</b>
Net other assets	746,908	0.04
<b>Total net assets</b>	<b>£1,940,570,125</b>	<b>100.00</b>

All equity investments are ordinary shares quoted on a recognised stock exchange unless otherwise stated.

Note: comparative figures show percentages for each category of holding at 28 February 2013.

\* Managed by related party – entered into in the normal course of business and on normal commercial terms.

## Statement of Total Return (unaudited)

for the six months ended 31 August 2013

	£	31.8.2013 £	£	31.8.2012 £
Income				
Net capital gains/(losses) during the period		17,878,879		(19,735,778)
Revenue	31,389,895		18,261,979	
Expenses	(12,910,966)		(7,295,779)	
Finance costs: Interest	(302,634)		(47,875)	
Net revenue before taxation	18,176,295		10,918,325	
Taxation	(3,644,561)		(2,176,923)	
Net revenue after taxation for the period		14,531,734		8,741,402
<b>Change in net assets attributable to unitholders from investment activities</b>		<b>£32,410,613</b>		<b>£(10,994,376)</b>

## Statement of Change in Net Assets Attributable to Unitholders (unaudited) for the six months ended 31 August 2013

	£	31.8.2013 £	£	31.8.2012 £
<b>Opening net assets attributable to unitholders</b>		1,679,229,001		942,779,488
Amounts received on creation of units	269,471,911		147,410,080	
Amounts paid on cancellation of units	(40,540,073)		(80,607,303)	
Stamp duty reserve tax		228,931,838 (1,358)		66,802,777 (18,044)
Unclaimed distributions over 6 years old		31		–
Change in net assets attributable to unitholders from investment activities		32,410,613		(10,994,376)
<b>Closing net assets attributable to unitholders</b>		<b>£1,940,570,125</b>		<b>£998,569,845</b>

The above statement shows the comparative closing net assets at 31 August 2012 whereas the current accounting period commenced 1 March 2013.

# Balance Sheet (unaudited)

at 31 August 2013

	£	31.8.2013 £	£	28.2.2013 £
<b>Assets:</b>				
Investment assets		1,940,545,176		1,695,731,432
– Debtors	15,021,235		111,757,510	
– Cash and bank balances	2,932,549		10,335	
<b>Total other assets</b>		<b>17,953,784</b>		<b>111,767,845</b>
<b>Total assets</b>		<b>1,958,498,960</b>		<b>1,807,499,277</b>
<b>Liabilities:</b>				
Investment liabilities		(721,959)		–
– Creditors	(17,206,875)		(127,162,664)	
– Amount held at futures clearing houses and brokers	–		(1)	
– Bank overdraft	(1)		–	
– Distribution payable on income units	–		(1,107,611)	
<b>Total other liabilities</b>		<b>(17,206,876)</b>		<b>(128,270,276)</b>
<b>Total liabilities</b>		<b>(17,928,835)</b>		<b>(128,270,276)</b>
<b>Net assets attributable to unitholders</b>		<b>£1,940,570,125</b>		<b>£1,679,229,001</b>

G M P M van Berkel (Director)  
N C D Hall (Director)  
BlackRock Fund Managers Limited  
17 October 2013

# Notes to Financial Statements (unaudited)

for the six months ended 31 August 2013

## **Accounting Policies**

The financial statements have been prepared in accordance with the Statement of Recommended Practice ('SORP') for Authorised Funds issued by the Investment Management Association (IMA) in October 2010.

The accounting policies applied are consistent with those of the financial statements for the year ended 28 February 2013 and are described in those annual financial statements.

## Authorised Status

BlackRock European Dynamic Fund is an authorised unit trust Scheme under Section 243 of the Financial Services and Markets Act 2000 and is established as a UCITS retail Scheme under the Financial Conduct Authority's (formerly the Financial Services Authority) Collective Investment Schemes Sourcebook (the 'Sourcebook').

## Stamp Duty Reserve Tax

Set out below is a brief summary of how stamp duty reserve tax ('SDRT') affects unitholders and potential unitholders in any of our authorised unit trusts.

SDRT is levied on dealings in units in unit trust Schemes. The Trustee is liable for a SDRT charge of 0.5% on the value of any units surrendered in a one week period. This charge may be reduced if the number of units surrendered exceeds the number of units issued during a two week period or if there are 'exempt' assets in the Scheme.

The Manager has the power to make a charge on unitholders as a provision against SDRT for which the Trustee may become liable (the 'SDRT provision'). The SDRT provision, where levied, has the effect of increasing the acquisition cost of units, or decreasing the redemption proceeds (as appropriate).

The Manager's general policy in relation to its authorised unit trusts is not to impose a SDRT provision when units are created, issued, cancelled or redeemed with the result that any SDRT payable in respect of any surrender of units will be paid by the Trustee out of the property of the relevant unit trust. However, the Manager reserves the right to require the payment of a SDRT provision whenever it considers that such imposition is fair to all unitholders and potential unitholders. The Manager will charge a SDRT provision in respect of non pro-rata in-specie redemptions. The Manager may impose a SDRT provision on large deals even if no SDRT provision is imposed on smaller deals, or which is larger than that imposed on smaller deals. A 'large deal' is a transaction (or series of transactions in one dealing period) by any person to buy, sell or exchange units at a total value of £15,000 or more.

If a unitholder transfers units to a third party this may be subject to SDRT. In these circumstances the Manager will not register the transfer unless the requisite SDRT (if any) has been paid.

**Manager & Registrar**

BlackRock Fund Managers Limited

12 Throgmorton Avenue, London EC2N 2DL

Telephone: 020 7743 3000 Dealing and Investor Services: 0800 44 55 22

Member of the Investment Management Association and authorised and regulated by the Financial Conduct Authority.

**Directors of the Manager**

G D Bamping N C D Hall\* A M Higgins A M Lawrence A J Stenning E E Tracey

G M P M van Berkel\*

\* Director is a non-executive Director.

**Trustee**

BNY Mellon Trust & Depositary (UK) Limited

160 Queen Victoria Street, London EC4V 4LA

Authorised and regulated by the Financial Conduct Authority.

**Investment Manager (until 27 June 2013)#**

BlackRock (Luxembourg) S.A.

6D route de Trèves, L-2633 Senningerberg, Grand-Duchy of Luxembourg

Incorporated in Luxembourg and regulated by the Commission de Surveillance du Secteur Financier (CSSF).

**Investment Manager (from 28 June 2013)#**

BlackRock Investment Management (UK) Limited

12 Throgmorton Avenue, London EC2N 2DL

Authorised and regulated by the Financial Conduct Authority.

# With effect from 28 June 2013, responsibility for investment management of the Fund moved from BlackRock (Luxembourg) S.A. to BlackRock Investment Management (UK) Limited.

**Auditor**

Ernst & Young LLP

1 More London Place, London SE1 2AF

BlackRock's proxy voting agent is ISS (Institutional Shareholder Services).

**This Report relates to the packaged products of, and is issued by:**

BlackRock Fund Managers Limited

12 Throgmorton Avenue, London EC2N 2DL

Telephone: 020 7743 3000

Dealing and Investor Services: 0800 44 55 22

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**For your protection, telephone calls are usually recorded.**



## **ABOUT US**

BlackRock is a premier provider of asset management, risk management, and advisory services to institutional, intermediary, and individual clients worldwide. As of 30 June 2013, the firm manages £2.53 trillion across asset classes in separate accounts, mutual funds, other pooled investment vehicles, and the industry-leading iShares® exchange-traded funds.

Through BlackRock Solutions®, the firm offers risk management and advisory services that combine capital markets expertise with proprietary-developed analytics, systems, and technology. BlackRock Solutions® currently provides risk management and enterprise investment services for £9.27 trillion in assets.

BlackRock serves clients in North and South America, Europe, Asia, Australia, Africa, and the Middle East. Headquartered in New York, the firm maintains offices in 30 countries around the world.

**For more information**

0800 44 55 22

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