

This Interim Short Report for the BlackRock UK Absolute Alpha Fund covers the six months ended 30 June 2013.

### Summary of Performance over the Period

The Fund regrettably declined by 2.7%\* over the six months under review, with the weakest period being the first quarter of the year. The main negative contributors to performance were Phorm (digital media) and African Petroleum (oil explorer) which fell following an inconclusive well result. Both holdings have been meaningfully reduced or sold.

### Fund Managers' Commentary

Equity markets enjoyed a very strong start to the year before falling sharply in June. At the beginning of the period, there were further signs of US housing market recovery and payroll data modestly improved. In addition, market participants welcomed a resolution of the US 'fiscal cliff' and a continuation of quantitative easing. The second quarter was considerably more volatile and dominated by movements in the bond markets.

We made some significant changes to the Fund in the first half of the year. After a period of disappointing performance we appointed a new co-manager at the end of March and refined our investment approach. Allocations to smaller, less liquid securities, which have acted as a considerable drag on the Fund's performance in recent times, have been materially reduced. A number of securities have been introduced into the Fund in order to better hedge some of our largest and highest conviction positions, which we hope will act to reduce volatility and improve performance. Finally, from August we shall increase the maximum gross market exposure of the Fund so that we are better placed to generate returns.

There are early indications that the changes are having a positive impact with a much improved, and less volatile, performance in the second quarter.

July 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.

## Performance Record

### Capital (Unit Prices)

Calendar Year	A Income Units		A Accumulation Units		P Accumulation Units		D Accumulation Units <sup>#</sup>	
	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
2013*	138.3	124.5	144.9	130.4	125.4	112.9	122.5	116.0
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
2008	142.3	121.8	147.8	126.8	127.0	109.7	N/A	N/A

\* To 30 June. # 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 <sup>#</sup> Per Unit p
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
2008	2.0217	2.1049	0.4391	N/A

\* To 31 August. # D Accumulation class commenced July 2009.

### Unit Price Summary

	Unit Price as at 30 June 2013	Unit Price as at 31 December 2012
A Income Units	126.1p	129.9p
A Accumulation Units	132.1p	136.1p
P Accumulation Units	114.4p	117.8p
D Accumulation Units	117.7p	120.7p

### Income for the Period

The Fund recorded a net shortfall after taxation for the period to 30 June 2013. Accordingly no distribution was payable (2012: £Nil).

## BlackRock UK Absolute Alpha Fund

Interim Short Report  
to 30 June 2013

To achieve a positive absolute return for investors. 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.

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.

\* Please note the following provisions take effect from 29 July 2013:

Income Allocation dates: 31 August 2013, 31 October 2013, and thereafter 30 April and 31 October each year.

Annual Accounting date: 31 December 2012, 28 February 2014, and thereafter the last day of February each year.

Interim Accounting date: 30 June 2013, 31 August 2013, and thereafter 31 August each year.

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](http://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.

The ongoing charges figures are based on the expenses for the six month period ended 30 June 2013 and have been annualised. These figures may vary from year to year.

Unit Class	30 June 2013	31 December 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%

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 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 (KIID), which are available at [www.blackrock.com](http://www.blackrock.com).

	% of Investments*
Carphone Warehouse – Long contract for difference	4.81
3i – Long contract for difference	4.33
Better Capital	4.20
Rolls Royce – Long contract for difference	3.67
Shire – Long contract for difference	3.66

	% 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.

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.

Horizontal bar chart showing the percentage of companies in various sectors that have been acquired by private equity firms. The chart compares data from 30 June 2013 (dark grey bars) and 31 December 2012 (light grey bars).

The sectors listed on the Y-axis are:

- Aerospace & Defence
- Banks
- Beverages
- Chemicals
- Construction & Materials
- Electricity
- Electronic & Electrical Equipment
- Equity Investment Instruments
- Financials
- Food & Drug Retailers
- Food Producers
- Gas, Water & Multiutilities
- General Financial
- General Industrials
- General Retailers
- Healthcare Equipment and Services
- Household Goods
- Index
- Industrial Engineering
- Industrials
- Media
- Mining
- Non-Life Insurance
- Oil & Gas Producers
- Oil Equipment, Services & Distribution
- Real Estate
- Support Services
- Tobacco
- Travel & Leisure
- Other

The X-axis represents the percentage of companies, ranging from 0% to 12%.

Legend:

- 30 June 2013 (Dark Grey Bar)
- 31 December 2012 (Light Grey Bar)

Sector	30 June 2013 (%)	31 December 2012 (%)
Aerospace & Defence	3.5	3.5
Banks	6.0	2.5
Beverages	3.0	2.5
Chemicals	2.5	3.0
Construction & Materials	1.5	2.0
Electricity	1.0	1.5
Electronic & Electrical Equipment	0.5	1.0
Equity Investment Instruments	4.0	2.0
Financials	2.0	2.0
Food & Drug Retailers	6.0	2.0
Food Producers	0.5	1.0
Gas, Water & Multiutilities	1.0	1.0
General Financial	6.5	3.0
General Industrials	1.5	2.0
General Retailers	2.0	0.5
Healthcare Equipment and Services	1.5	1.5
Household Goods	1.5	0.5
Index	0.0	4.0
Industrial Engineering	5.0	2.0
Industrials	7.0	9.0
Media	6.0	6.0
Mining	1.5	1.5
Non-Life Insurance	3.0	1.0
Oil & Gas Producers	2.5	7.5
Oil Equipment, Services & Distribution	3.5	2.0
Real Estate	7.5	9.0
Support Services	3.0	2.5
Tobacco	1.5	1.5
Travel & Leisure	2.0	4.0
Other	5.0	10.5

At the end of the period, the Fund also held 71.52% in bonds (2012: 65.60%) and 8.32% in other Money Market Instruments such as certificate of deposits and commercial papers (2012: 6.34%). These instruments are used both to provide cover for derivative positions such as Contracts for Differences (CFDs) and also with the intention of generating a higher rate of return than if derivatives were covered by cash held in a current account. For this purpose, cover of CFDs is measured by reference to the current notional exposure of the CFD, in other words, the economic interest in the security underlying the CFD, although only the difference between the price on opening the position and the price on closing the position is settled.

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://www.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.

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