BlackRock

Annual report and audited financial statements

BlackRock UK Absolute Alpha Fund

For the financial year ended 28 February 2021

Contents

General Information

Manager & Registrar
BlackRock Fund Managers Limited
12 Throgmorton Avenue, London EC2N 2DL

Member of The Investment Association and authorised and regulated by the Financial Conduct Authority ("FCA").

Directors of the Manager
G D Bamping* M B Cook (Resigned 30 October 2020) S Corrigall (Appointed 13 January 2021) W I Cullen* D Edgar (Appointed 14 November 2020) R A R Hayes (Resigned 13 January 2021) A M Lawrence H N Mepham L E Watkins (Resigned 16 November 2020) M T Zemek*

Trustee & Custodian
The Bank of New York Mellon (International) Limited
One Canada Square, London E14 5AL

Authorised by the Prudential Regulation Authority and regulated by the FCA and the Prudential Regulation Authority.

Investment Manager
BlackRock Investment Management (UK) Limited
12 Throgmorton Avenue, London EC2N 2DL

Authorised and regulated by the FCA.

Stock Lending Agent
BlackRock Advisors (UK) Limited
12 Throgmorton Avenue, London EC2N 2DL

Authorised and regulated by the FCA

Auditor
Ernst & Young LLP
Atria One, 144 Morrison Street, Edinburgh EH3 8EX

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
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blackrock.co.uk

For your protection, telephone calls are usually recorded.

* Non-executive Director.

About the Fund

BlackRock UK Absolute Alpha Fund (the "Fund") is a UCITS scheme under the COLL Sourcebook. The Fund was established on 25 April 2005 and was authorised by the FCA on 29 April 2005. The Fund's FCA product reference number is 429038.

Assessment of value

The FCA has introduced new requirements for UK authorised fund managers to consider whether the charges taken from a fund they manage are justified in the context of the overall service and value offered by that fund, and to report on those findings. BlackRock has fulfilled its obligations for the reporting requirement, including assessing relevant charges, and published the annual assessment of value statements on the BlackRock website on 30 October 2020 in a composite report for all funds managed by BlackRock Fund Managers Limited subject to these requirements.

Fund Managers

As at 28 February 2021, the Fund Managers of the Fund are Nigel Ridge and Richard Wingfield.

Significant Events

Changes in the Directors of the Manager

M B Cook resigned as a Director effective 30 October 2020. D Edgar was appointed as a Director effective 14 November 2020. L E Watkins resigned as a Director effective 16 November 2020. R A R Hayes resigned as a Director effective 13 January 2021. S Corrigall was appointed as a Director effective 13 January 2021.

Outbreak of COVID-19

An outbreak of an infectious respiratory illness caused by a novel coronavirus known as COVID-19 has developed into a global pandemic and has resulted in travel restrictions, closed international borders, enhanced health screenings at ports of entry and elsewhere, disruption of and delays in healthcare service preparation and delivery, prolonged quarantines, cancellations, supply chain disruptions, and lower consumer demand, as well as general concern and uncertainty. The impact of COVID-19 has adversely affected the economies of many nations across the entire global economy, individual issuers and capital markets, and could continue to extents that cannot necessarily be foreseen. In addition, the impact of infectious illnesses in emerging market countries may be greater due to generally less established healthcare systems. Public health crises caused by the COVID-19 outbreak may exacerbate other pre-existing political, social and economic risks in certain countries or globally. The duration of the COVID-19 outbreak and its effects cannot be determined with certainty. The impact of this significant event on the Fund's financial risk exposure is disclosed in Note 2.

The Manager has assessed the impact of market conditions arising from the COVID-19 outbreak on the Fund's ability to meet its investment objectives. Based on the latest available information, the Fund continues to be managed in line with its investment objective, with no disruption to the operations of the Fund and the publication of net asset values.

Eligible Securities Markets

The list of eligible securities markets applicable to the Fund has been updated in the Prospectus.

Risk and Reward Profile

Unit Class	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
S Income	1	2	3	**4**	5	6	7
S 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 the Fund.
- The risk category shown is not guaranteed and may change over time.
- The lowest category does not mean risk free.
- The use of derivatives will impact the value of the Fund and may expose the Fund to a higher degree of risk. Derivatives are highly sensitive to changes in the value of the asset on which they are based and can increase the size of losses and gains, resulting in greater fluctuations in the value of the Fund. The impact to the Fund can be greater where derivatives are used in an extensive or complex way.

For more information on this, please see the Fund’s Key Investor Information Documents (“KIIDs”), which are available at **www.blackrock.com**.

Investment Report

for the year ended 28 February 2021

Investment Objective

The aim of the Fund is to provide a positive absolute return on your investment (i.e. an increase in the overall value of the Fund) (gross of fees) over any 12 month period regardless of market conditions.

Comparator benchmark	Investment management approach
3 month Sterling LIBOR	Active

Performance Summary

The following table compares the Fund's realised performance against the performance of the relevant comparator benchmark during the financial year ended 28 February 2021.

The returns disclosed, based on bid-to-bid dealing prices (the price at which units are sold) and calculated net of fees, are the performance returns for the primary unit class of the Fund which has been selected as a representative unit class. The primary unit class represents the class of unit which is the highest charging unit class, free of any commissions or rebates, and is freely available. Performance returns for any other unit class can be made available on request.

	Fund return %	Comparator benchmark %
Class D Accumulation Units	(1.62)	0.18

All financial investments involve an element of risk. Therefore, the value of your investment and the income from it will vary and the return of 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.

Global Economic Overview

Global equities, as represented by the MSCI All Country World Index (GBP), posted a return of 19.00% for the twelve months ended 28 February 2021. The reporting period began at the height of uncertainty surrounding the spread of COVID-19, which initially led to steep declines for all classes of equities. Countries around the globe instituted restrictions to slow the progress of the virus, resulting in a sharp economic downturn and a sudden rise in unemployment. Turbulence in energy markets also unsettled equities, as a rapid fall in oil prices threatened the viability of parts of the energy sector.

Beginning in late March 2020, however, equities regained a significant portion of their losses as aggressive policy responses from governments and central banks, the phased reopening of economies around the world and new treatments of COVID-19 raised hopes for an economic recovery. In November 2020, news that multiple vaccines had shown high effectiveness rates and were ready to be put into production reassured investors and provided a strong boost to equities. As mass vaccination programs got underway in early 2021 and global infections began to decline, equities advanced again, with many indices reaching all-time highs. The prospect of a return to normality and increased consumer spending due to pent-up demand led investors to increase their expectations for future inflation.

Prior to the beginning of the reporting period, highly rated bonds rallied, while lower-rated bonds declined sharply, especially corporate and emerging market credits, in response to the COVID-19 outbreak. Many bond prices (which move inversely to yields) fell, particularly for corporate and emerging market bonds, before recovering due to central bank interventions. The US Federal Reserve ("the Fed") implemented an unprecedented corporate bond purchasing facility which provided significant support to the sector. Consequently, the reporting period saw a reversal of the flight from risk as investor appetite for corporate bonds, particularly lower-quality, higher-yield bonds, increased substantially. High-yield corporate bonds subsequently advanced strongly, while investment-grade corporate bonds posted a more modest return.

The demand for less risky assets initially led to solid returns for US Treasuries, and the yield on the 10-year US Treasury, a benchmark lending rate for the bond market, touched an all-time low in August 2020. However, yields increased in early 2021 as investors' inflation expectations rose, leading to negative US Treasury returns for the 12-month period.

Equities in emerging markets posted a strong advance for the reporting period. These equities were initially among the most affected by the COVID-19 pandemic, as lockdowns and factory closures in China negatively impacted on Chinese markets. Many of the emerging Asian economies that have substantial trade with China also suffered significant supply and demand shocks. However, emerging market equities rebounded sharply as infection rates slowed and economies reopened, and China reported economic data indicating a strong recovery. Emerging market bond prices, which fell sharply in March 2020, recovered due to optimism about the pace of economic recovery, outperforming other international bonds for the 12-month period.

In the commodities market, gold prices rose, touching an all-time high in August 2020 as investors sought alternative stores of value amid a large increase in the money supply. Oil prices fell rapidly to a 21 year low in April 2020 amid a combination of weakened demand and increased supply following a dispute between Russia and Saudi Arabia (two of the world's leading oil producers). However, prices climbed again as economic conditions improved, ending the reporting period with a gain.

On the foreign exchanges, the US dollar declined against most global currencies, reflecting ongoing monetary stimulus and historically low interest rates relative to other developed economies. The euro, sterling, the Swiss franc, and the Japanese yen all advanced against the US dollar.

The disruption caused by the pandemic led to a significant worldwide economic contraction early in the reporting period. The US economy shrank by an annualised record 31.4% in the second quarter of 2020, and the economies of the Eurozone and Japan fell into recession. Signs of recovery appeared later in the reporting period, however, as the Chinese economy returned to growth in the second quarter of 2020. The US and Japan followed with significant rebound growth in the third quarter followed by slower gains in the fourth quarter. The Eurozone economy grew in the third quarter before contracting again in the fourth quarter amid renewed lockdowns in some areas.

After the COVID-19 outbreak, the Fed instituted two emergency rate cuts, and along with other influential central banks implemented major bond-buying programs to stabilise debt markets. The US, along with many other countries, provided fiscal stimulus to offset the economic effects of the pandemic. The synchronised economic stimulus ultimately jumpstarted economic growth and supported risk taking in global markets. The Fed further committed to a near-zero interest rate policy through 2022 in a bid to promote longer-term economic expansion, even if inflation temporarily rises above its 2% target rate.

Fund Performance Review and Activity

Over the financial year to 28 February 2021, the Fund's return was (1.62)%, sadly underperforming its comparator benchmark which returned 0.18%.

The Fund is managed on an absolute return basis and not relative to any benchmark. The return of the comparator benchmark is given for reference purposes only.

2020 was dominated by a single issue, the global COVID-19 pandemic which swept through economies and stock markets causing equities to tumble, the speed and severity of which matched the declines seen in 2008. COVID-19 case numbers rose and fell in waves as mobility restrictions were implemented globally in an attempt to mitigate spread. Hopes were raised by the approval of several COVID-19 vaccines leading to one of the sharpest rotations away from growth shares and into value shares on record. December finally delivered positive progress on Brexit, with an agreement on trade terms for goods, offset by an alarming increase in the incidence of the virus as a new variant proved particularly contagious.

The short book (where we believe a stock could go down) detracted (3.71)% from returns while the long book (where we believe a stock could go up) contributed 2.64%, both on a gross basis. Our exposure to Consumer Services, Oil & Gas and the Index Derivative short position fared poorly, while our exposure to Basic Materials, Consumer Goods and Health Care fared well.

During the financial year the following were the largest contributors to and detractors from the Fund's absolute return:

Largest Contributors		Largest Detractors	
Stock	**Effect on Fund return**	**Stock**	**Effect on Fund return**
Rio Tinto	2.15%	Consumer Services^	(1.38)%
Industrials^	0.92%	SSP	(0.85)%
Consumer Services^	0.78%	Consumer Services^	(0.85)%
Taylor Wimpey	0.71%	Royal Dutch Shell	(0.63)%
Consumer Goods^	0.57%	RELX	(0.62)%

^ Short position in the noted sector.

The top detractor for the period was a short in an online supermarket and technology company, which saw an acceleration in demand of online grocery shopping and an expansion in its addressable market brought about by the pandemic.

The Fund's biggest contributor was Rio Tinto, which benefitted from rising commodity prices as a result of tight supply and recovering Gross Domestic Product.

The following table details the significant portfolio weightings at 28 February 2021 and 29 February 2020:

28 February 2021		29 February 2020	
Sector	**Net Exposure**	**Sector**	**Net Exposure**
Index Derivatives	(17.3)%	Financials	12.2%
Financials	9.0%	Consumer Services	5.3%
Consumer Goods	8.2%	Oil & Gas	4.2%
Industrials	7.5%	Index Derivatives	(3.2)%
Consumer Services	4.8%	Consumer Goods	1.9%

The Fund's net exposure to the market ranged from 5% to 36% during the reporting period, averaging 15% for the year. Given the economic uncertainty from the COVID-19 pandemic, our net position has been dynamically managed through the increased use of pair trades (where we match a long position in one stock with a short position on another in the same sector), recognising relative winners and losers on an industry level. The Fund's gross exposure did fall as low as 83% during the period which was a reflection of the unprecedented sell off witnessed in March, as well as the broader gross deleveraging that took place across the hedge fund community. The Fund was able to add back to the gross exposure, which reached 122% towards the end of the period.

Performance Record

Comparative Table

	A Income Units			A Accumulation Units		
	For the year to 28.2.2021	For the year to 29.2.2020	For the year to 28.2.2019	For the year to 28.2.2021	For the year to 29.2.2020	For the year to 28.2.2019
	Pence per unit	Pence per unit	Pence per unit	Pence per unit	Pence per unit	Pence per unit
Change in net assets per unit						
Opening net asset value per unit	160.3	154.6	154.0	167.6	161.6	161.0
Return before operating charges	(1.82)	8.78	3.57	(1.93)	9.17	3.68
Operating charges	(3.05)	(3.06)	(2.96)	(3.19)	(3.20)	(3.08)
Return after operating charges	(4.87)	5.72	0.61	(5.12)	5.97	0.60
Distributions	0.00	(0.01)	0.00	0.00	(0.01)	0.00
Retained distributions on accumulation units	N/A	N/A	N/A	N/A	0.01	N/A
Closing net asset value per unit	155.4	160.3	154.6	162.5	167.6	161.6
After direct transaction costs of	0.00	(0.01)	(0.01)	0.00	(0.01)	(0.01)
Performance						
Return after charges[1]	(3.04)%	3.70%	0.40%	(3.05)%	3.69%	0.37%
Other information						
Closing net asset value (£000's)	31	34	33	400	378	361
Closing number of units	20,059	21,222	21,222	246,153	225,533	223,475
Operating charges[2]	1.94%	1.93%	1.94%	1.94%	1.93%	1.93%
Direct transaction costs[3]	0.00%	0.00%	0.01%	0.00%	0.00%	0.01%
Prices	Pence per unit	Pence per unit	Pence per unit	Pence per unit	Pence per unit	Pence per unit
Highest offer unit price	169.1	172.9	164.7	176.8	180.7	172.1
Lowest bid unit price	149.2	153.3	147.2	155.9	160.2	153.8

[1] The return after charges figures are based on the net asset value reported for financial statements purposes and are not the same as the performance returns figures quoted in the Performance Table and the Investment Report which are based on bid-to-bid dealing prices (the price at which units are sold).

[2] Operating charges are annualised and exclude portfolio trade-related costs, except costs paid to the custodian/depositary and entry/exit charges paid to an underlying collective investment scheme (if any).

[3] Direct transaction costs are annualised and principally comprise commissions and taxes, attributable to the Fund's purchase and sale of equity and debt instruments. See note 15 for further details.

Comparative Table continued

	P Accumulation Units			D Accumulation Units		
	For the year to 28.2.2021	For the year to 29.2.2020	For the year to 28.2.2019	For the year to 28.2.2021	For the year to 29.2.2020	For the year to 28.2.2019
	Pence per unit	Pence per unit	Pence per unit	Pence per unit	Pence per unit	Pence per unit
Change in net assets per unit						
Opening net asset value per unit	144.8	139.8	138.9	154.3	148.4	146.3
Return before operating charges	(1.71)	7.36	3.19	(1.76)	7.33	3.48
Operating charges	(2.40)	(2.41)	(2.33)	(1.43)	(1.42)	(1.35)
Return after operating charges	(4.11)	4.95	0.86	(3.19)	5.91	2.13
Distributions	0.00	(0.07)	0.00	(0.08)	(0.18)	(0.45)
Retained distributions on accumulation units	N/A	0.07	N/A	0.08	0.18	0.45
Closing net asset value per unit	140.7	144.8	139.8	151.1	154.3	148.4
After direct transaction costs of	0.00	(0.01)	(0.01)	0.00	(0.01)	(0.01)
Performance						
Return after charges[1]	(2.84)%	3.54%	0.62%	(2.07)%	3.98%	1.46%
Other information						
Closing net asset value (£000's)	40,876	48,675	56,830	94,624	124,262	151,445
Closing number of units	29,053,957	33,626,812	40,661,893	62,620,961	80,529,444	102,029,237
Operating charges[2]	1.69%	1.68%	1.69%	0.94%	0.93%	0.93%
Direct transaction costs[3]	0.00%	0.00%	0.01%	0.00%	0.00%	0.01%
Performance fee[4]	0.00%	0.39%	0.00%	0.00%	0.77%	0.05%
Prices	Pence per unit	Pence per unit	Pence per unit	Pence per unit	Pence per unit	Pence per unit
Highest offer unit price	152.7	155.2	148.4	155.4	157.5	148.6
Lowest bid unit price	134.7	138.6	133.0	143.7	147.2	140.8

[1] The return after charges figures are based on the net asset value reported for financial statements purposes and are not the same as the performance returns figures quoted in the Performance Table and the Investment Report which are based on bid-to-bid dealing prices (the price at which units are sold).
[2] Operating charges are annualised and exclude portfolio trade-related costs, except costs paid to the custodian/depositary and entry/exit charges paid to an underlying collective investment scheme (if any).
[3] Direct transaction costs are annualised and principally comprise commissions and taxes, attributable to the Fund's purchase and sale of equity and debt instruments. See note 15 for further details.
[4] A performance fee is payable in respect of Class P Accumulation units and Class D Accumulation units with regards to any outperformance as per the calculation methodology outlined in the Prospectus.

Comparative Table continued

	S Income Units			S Accumulation Units		
	For the year to 28.2.2021	For the year to 29.2.2020	For the year to 28.2.2019	For the year to 28.2.2021	For the year to 29.2.2020	For the year to 28.2.2019
	Pence per unit	Pence per unit	Pence per unit	Pence per unit	Pence per unit	Pence per unit
Change in net assets per unit						
Opening net asset value per unit	112.2	108.1	106.8	112.6	108.3	106.8
Return before operating charges	(1.27)	5.24	2.37	(1.26)	5.29	2.38
Operating charges	(0.95)	(0.93)	(0.89)	(0.96)	(0.95)	(0.90)
Return after operating charges	(2.22)	4.31	1.48	(2.22)	4.34	1.48
Distributions	(0.10)	(0.19)	(0.23)	(0.10)	(0.17)	(0.29)
Retained distributions on accumulation units	N/A	N/A	N/A	0.10	0.17	0.29
Closing net asset value per unit	109.9	112.2	108.1	110.4	112.6	108.3
After direct transaction costs of	0.00	0.00	(0.01)	0.00	0.00	(0.01)
Performance						
Return after charges[1]	(1.98)%	3.99%	1.39%	(1.97)%	4.01%	1.38%
Other information						
Closing net asset value (£000's)	30,351	21,351	14,308	50,324	59,004	64,966
Closing number of units	27,620,676	19,025,747	13,242,426	45,590,561	52,383,609	60,000,320
Operating charges[2]	0.86%	0.84%	0.84%	0.86%	0.85%	0.85%
Direct transaction costs[3]	0.00%	0.00%	0.01%	0.00%	0.00%	0.01%
Performance fee[4]	0.00%	0.68%	0.06%	0.00%	0.74%	0.00%
Prices	Pence per unit	Pence per unit	Pence per unit	Pence per unit	Pence per unit	Pence per unit
Highest offer unit price	118.6	120.3	114.2	119.2	120.7	114.2
Lowest bid unit price	104.5	107.2	102.6	104.9	107.4	102.8

[1] The return after charges figures are based on the net asset value reported for financial statements purposes and are not the same as the performance returns figures quoted in the Performance Table and the Investment Report which are based on bid-to-bid dealing prices (the price at which units are sold).
[2] Operating charges are annualised and exclude portfolio trade-related costs, except costs paid to the custodian/depositary and entry/exit charges paid to an underlying collective investment scheme (if any).
[3] Direct transaction costs are annualised and principally comprise commissions and taxes, attributable to the Fund's purchase and sale of equity and debt instruments. See note 15 for further details.
[4] A performance fee is payable in respect of Class S units with regards to any outperformance as per the calculation methodology outlined in the Prospectus.

Distribution Tables
for the year ended 28 February 2021

Final Distribution in Pence per Unit

Group 1 – Units purchased prior to 1 September 2020

Group 2 – Units purchased 1 September 2020 to 28 February 2021

Due to expenses and taxation exceeding revenue, there is no distribution for the period ended 28 February 2021.

Interim Distribution in Pence per Unit

Group 1 – Units purchased prior to 1 March 2020

Group 2 – Units purchased 1 March 2020 to 31 August 2020

	A Income Units		A Accumulation Units		P Accumulation Units		D Accumulation Units	
	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2
Net revenue (dividend)	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0833	0.0000
Equalisation†	–	0.0000	–	0.0000	–	0.0000	–	0.0833
Distribution paid 31.10.2020	**0.0000**	**0.0000**	**0.0000**	**0.0000**	**0.0000**	**0.0000**	**0.0833**	**0.0833**
Distribution paid 31.10.2019	**0.0089**	**0.0089**	**0.0063**	**0.0063**	**0.0718**	**0.0718**	**0.1817**	**0.1817**

	S Income Units		S Accumulation Units	
	Group 1	Group 2	Group 1	Group 2
Net revenue (dividend)	0.1015	0.0000	0.1032	0.0000
Equalisation†	–	0.1015	–	0.1032
Distribution paid 31.10.2020	**0.1015**	**0.1015**	**0.1032**	**0.1032**
Distribution paid 31.10.2019	**0.1876**	**0.1876**	**0.1747**	**0.1747**

† Equalisation applies only to units purchased during the distribution period (Group 2 units). It is the average amount of revenue included in the purchase price of all Group 2 units and is refunded to holders of these units as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of units for capital gains tax purposes.

Report on Remuneration

The below disclosures are made in respect of the remuneration policies of the BlackRock group (″BlackRock″), as they apply to BlackRock Fund Managers Limited (the ″Manager″). The disclosures are made in accordance with the Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (“UCITS”), as amended, including in particular by Directive 2014/91/EU of the European Parliament and of the council of 23 July 2014, (the “Directive”), the ″Guidelines on sound remuneration policies under the UCITS Directive and AIFMD″ issued by the European Securities and Markets Authority, the Financial Conduct Authority Handbook SYSC 19E: The UCITS Remuneration Code (the “UCITS Remuneration Code”), and COLL 4.5.7 R(7).

BlackRock’s UCITS Remuneration Policy (the “UCITS Remuneration Policy”) will apply to the EEA entities within the BlackRock group authorised as a manager of alternative investment funds in accordance with the Directive, and will ensure compliance with the requirements of Article 14b of the Directive and the UCITS Remuneration Code.

The Manager has adopted the UCITS Remuneration Policy, a summary of which is set out below.

Remuneration Governance

BlackRock’s remuneration governance in EMEA operates as a tiered structure which includes: (a) the Management Development and Compensation Committee (“MDCC”) (which is the global, independent remuneration committee for BlackRock, Inc. and (b) the Manager’s board of directors (the “Manager’s Board”). These bodies are responsible for the determination of BlackRock’s remuneration policies.

(a) MDCC

The MDCC’s purposes include:

- providing oversight of:
  - BlackRock’s executive compensation programmes;
  - BlackRock’s employee benefit plans; and
  - such other compensation plans as may be established by BlackRock from time to time for which the MDCC is deemed as administrator;
- reviewing and discussing the compensation discussion and analysis included in the BlackRock, Inc. annual proxy statement with management and approving the MDCC’s report for inclusion in the proxy statement;
- reviewing, assessing and making reports and recommendations to the BlackRock, Inc. Board of Directors (the “BlackRock, Inc. Board”) as appropriate on BlackRock’s talent development and succession planning, with the emphasis on performance and succession at the highest management levels; and
- supporting the boards of the Company’s EMEA regulated entities in meeting their remuneration-related obligations by overseeing the design and implementation of EMEA remuneration policy in accordance with applicable regulations.

The MDCC directly retains its own independent compensation consultant, Semler Brossy Consulting Group LLC, who has no relationship with BlackRock, Inc. or the BlackRock, Inc. Board that would interfere with its ability to provide independent advice to the MDCC on compensation matters.

The BlackRock, Inc. Board has determined that all of the members of the MDCC are "independent" within the meaning of the listing standards of the New York Stock Exchange (NYSE), which requires each meet a "non-employee director" standard.

The MDCC held 9 meetings during 2020. The MDCC charter is available on BlackRock, Inc.'s website (www.blackrock.com).

Through its regular reviews, the MDCC continues to be satisfied with the principles of BlackRock's compensation policy and approach.

(b) The Manager's Board

The Manager's Board has the task of supervising and providing oversight of the UCITS Remuneration Policy as it applies to the Manager and its Identified Staff.

The Manager's Board (through independent review by the relevant control functions) remains satisfied with the implementation of the UCITS Remuneration Policy as it applies to the Manager and its Identified Staff.

Decision-making process

Remuneration decisions for employees are made once annually in January following the end of the performance year. This timing allows full-year financial results to be considered along with other non-financial goals and objectives. Although the framework for remuneration decision-making is tied to financial performance, significant discretion is used to determine individual variable remuneration based on achievement of strategic and operating results and other considerations such as management and leadership capabilities.

No set formulas are established and no fixed benchmarks are used in determining annual incentive awards. In determining specific individual remuneration amounts, a number of factors are considered including non-financial goals and objectives and overall financial and investment performance. These results are viewed in the aggregate without any specific weighting, and there is no direct correlation between any particular performance measure and the resulting annual incentive award. The variable remuneration awarded to any individual(s) for a particular performance year may also be zero.

Annual incentive awards are paid from a bonus pool.

The size of the projected bonus pool, including cash and equity awards, is reviewed throughout the year by the MDCC and the final total bonus pool is approved after year-end. As part of this review, the MDCC receives actual and projected financial information over the course of the year as well as final year-end information. The financial information that the MDCC receives and considers includes the current year projected income statement and other financial measures compared with prior year results and the current year budget. The MDCC additionally reviews other metrics of BlackRock's financial performance (e.g., net inflows of AUM and investment performance) as well as information regarding market conditions and competitive compensation levels.

The MDCC regularly considers management's recommendation as to the percentage of preincentive operating income that will be accrued and reflected as a compensation expense throughout the year for the cash portion of the total annual bonus pool (the "accrual rate"). The accrual rate of the cash portion of the total annual bonus pool may be modified by the MDCC during the year based on its review of the financial information described above. The MDCC does not apply any particular weighting or formula to the information it considers when determining the size of the total bonus pool or the accruals made for the cash portion of the total bonus pool.

Following the end of the performance year, the MDCC approves the final bonus pool amount.

As part of the year-end review process the Enterprise Risk and Regulatory Compliance departments report to the MDCC on any activities, incidents or events that warrant consideration in making compensation decisions.

Individuals are not involved in setting their own remuneration.

Control functions

Each of the control functions (Enterprise Risk, Legal & Compliance, and Internal Audit) has its own organisational structure which is independent of the business units. The head of each control function is either a member of the Global Executive Committee ("GEC"), the global management committee, or has a reporting obligation to the board of directors of BlackRock Group Limited, the parent company of all of BlackRock's EMEA regulated entities, including the Manager.

Functional bonus pools are determined with reference to the performance of each individual function. The remuneration of the senior members of control functions is directly overseen by the MDCC.

Link between pay and performance

There is a clear and well defined pay-for-performance philosophy and compensation programmes which are designed to meet the following key objectives as detailed below:

- appropriately balance BlackRock's financial results between shareholders and employees;
- attract, retain and motivate employees capable of making significant contributions to the long-term success of the business;
- align the interests of senior employees with those of shareholders by awarding BlackRock Inc.'s stock as a significant part of both annual and long-term incentive awards;
- control fixed costs by ensuring that compensation expense varies with profitability;
- link a significant portion of an employee's total compensation to the financial and operational performance of the business as well as its common stock performance;
- discourage excessive risk-taking; and
- ensure that client interests are not negatively impacted by remuneration awarded on a short-term, mid-term and/or long-term basis.

Driving a high-performance culture is dependent on the ability to measure performance against objectives, values and behaviours in a clear and consistent way. Managers use a 5-point rating scale to provide an overall assessment of an employee's performance, and employees also provide a self-evaluation. The overall, final rating is reconciled during each employee's performance appraisal. Employees are assessed on the manner in which performance is attained as well as the absolute performance itself.

In keeping with the pay-for-performance philosophy, ratings are used to differentiate and reward individual performance – but don't pre-determine compensation outcomes. Compensation decisions remain discretionary and are made as part of the year-end compensation process.

When setting remuneration levels other factors are considered, as well as individual performance, which may include:

- the performance of the Manager, the funds managed by the Manager and/or the relevant functional department;

- factors relevant to an employee individually; relationships with clients and colleagues; teamwork; skills; any conduct issues; and, subject to any applicable policy, the impact that any relevant leave of absence may have on contribution to the business);
- the management of risk within the risk profiles appropriate for BlackRock's clients;
- strategic business needs, including intentions regarding retention;
- market intelligence; and
- criticality to business.

A primary product tool is risk management and, while employees are compensated for strong performance in their management of client assets, they are required to manage risk within the risk profiles appropriate for their clients. Therefore, employees are not rewarded for engaging in high-risk transactions outside of established parameters. Remuneration practices do not provide undue incentives for short-term planning or short-term financial rewards, do not reward unreasonable risk and provide a reasonable balance between the many and substantial risks inherent within the business of investment management, risk management and advisory services.

BlackRock operates a total compensation model for remuneration which includes a base salary, which is contractual, and a discretionary bonus scheme.

BlackRock operates an annual discretionary bonus scheme. Although all employees are eligible to be considered for a discretionary bonus, there is no contractual obligation to make any award to an employee under its discretionary bonus scheme. In exercising discretion to award a discretionary bonus, the factors listed above (under the heading "Link between pay and performance") may be taken into account in addition to any other matters which become relevant to the exercise of discretion in the course of the performance year.

Discretionary bonus awards for all employees, including executive officers, are subject to a guideline that determines the portion paid in cash and the portion paid in BlackRock, Inc. stock and subject to additional vesting/clawback conditions. Stock awards are subject to further performance adjustment through variation in BlackRock, Inc.'s share price over the vesting period. As total annual compensation increases, a greater portion is deferred into stock. The MDCC adopted this approach in 2006 to substantially increase the retention value and shareholder alignment of the compensation package for eligible employees, including the executive officers. The portion deferred into stock vests into three equal instalments over the three years following grant.

Supplementary to the annual discretionary bonus as described above, equity awards may be made to select individuals to provide greater linkage with future business results. These long-term incentive awards have been established individually to provide meaningful incentive for continued performance over a multi-year period recognising the scope of the individual's role, business expertise and leadership skills.

Selected senior leaders are eligible to receive performance-adjusted equity-based awards from the "BlackRock Performance Incentive Plan" ("BPIP"). Awards made from the BPIP have a three-year performance period based on a measurement of As Adjusted Operating Margin[1] and Organic Revenue Growth[2]. Determination of pay-out will be made based on the firm's achievement relative to target financial results at the conclusion of the performance period. The maximum number of shares that can be earned is 165% of the award in those situations where both metrics achieve pre-determined financial targets. No shares will be earned where the firm's financial performance in both of the above metrics is below a pre-determined performance threshold. These metrics have been selected as key measures of shareholder value which endure across market cycles.

A limited number of investment professionals have a portion of their annual discretionary bonus (as described above) awarded as deferred cash that notionally tracks investment in selected products managed by the employee. The intention of these awards is to align investment professionals with the investment returns of the products they manage through the deferral of compensation into those products. Clients and external evaluators have increasingly viewed more favourably those products where key investors have "skin in the game" through significant personal investments.

Identified Staff

The UCITS Remuneration Policy sets out the process that will be applied to identify staff as Identified Staff, being categories of staff of the Manager, including senior management, risk takers, control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the risk profiles of the Manager or of the funds it manages.

The list of Identified Staff will be subject to regular review, being formally reviewed in the event of, but not limited to:

- organisational changes;
- new business initiatives;
- changes in significant influence function lists;
- changes in role responsibilities; and
- revised regulatory direction.

Quantitative Remuneration Disclosure

The Manager is required under UCITS to make quantitative disclosures of remuneration. These disclosures are made in line with BlackRock's interpretation of currently available regulatory guidance on quantitative remuneration disclosures. As market or regulatory practice develops BlackRock may consider it appropriate to make changes to the way in which quantitative remuneration disclosures are calculated. Where such changes are made, this may result in disclosures in relation to a fund not being comparable to the disclosures made in the prior year, or in relation to other BlackRock fund disclosures in that same year.

Disclosures are provided in relation to (a) the staff of the Manager; (b) staff who are senior management; and (c) staff who have the ability to materially affect the risk profile of the Fund, including individuals who, although not directly employed by the Manager, are assigned by their employer to carry out services directly for the Manager.

1 As Adjusted Operating Margin: As reported in BlackRock's external filings, reflects adjusted Operating Income divided by Total Revenue net of distribution and servicing expenses and amortisation of deferred sales commissions.

2 Organic Revenue Growth: Equal to net new base fees plus net new Aladdin revenue generated in the year (in dollars).

All individuals included in the aggregated figures disclosed are rewarded in line with BlackRock's remuneration policy for their responsibilities across the relevant BlackRock business area. As all individuals have a number of areas of responsibilities, only the portion of remuneration for those individuals' services attributable to the Fund is included in the aggregate figures disclosed.

Members of staff and senior management of the Manager typically provide both UCITS and non-UCITS related services in respect of multiple funds, clients and functions of the Manager and across the broader BlackRock group. Therefore, the figures disclosed are a sum of each individual's portion of remuneration attributable to the Manager according to an objective apportionment methodology which acknowledges the multiple-service nature of the Manager. Accordingly the figures are not representative of any individual's actual remuneration or their remuneration structure.

The amount of the total remuneration awarded by the Manager to its staff which has been attributed to the Manager's UCITS-related business in respect of the Manager's financial year ending 31 December 2020 is GBP 61.2 million. This figure is comprised of fixed remuneration of GBP 2.0 million and variable remuneration of GBP 59.2 million. There were a total of 84 beneficiaries of the remuneration described above.

The amount of the aggregate remuneration awarded by the Manager, which has been attributed to the Manager's UCITS-related business in respect of the Manager's financial year ending 31 December 2020, to its senior management was GBP 0.2 million, and to other members of its staff whose actions have a material impact on the risk profile of the Fund was GBP 61.0 million.

Portfolio Statement
at 28 February 2021

Holding or Nominal Value	Investment^	Market Value £000's	% of Total Net Assets
EQUITIES – 4.66%; 29.2.2020 2.04%			
BERMUDA – 0.52%; 29.2.2020 0.00%			
Insurance – 0.52%; 29.2.2020 0.00%			
120,084	Hiscox	**1,134**	**0.52**
GUERNSEY – 0.10%; 29.2.2020 0.20%			
Private Equity – 0.10%; 29.2.2020 0.20%			
1,191,363	Better Capital[1]	**218**	**0.10**
IRELAND – 0.02%; 29.2.2020 0.05%			
Oil & Gas Producers – 0.02%; 29.2.2020 0.05%			
481,314	Providence Resources	26	0.01
430,400	Providence Resources	23	0.01
		49	**0.02**
UNITED KINGDOM – 4.02%; 29.2.2020 1.70%			
Airlines – 0.79%; 29.2.2020 0.00%			
118,211	JET2	**1,714**	**0.79**
Banks – 0.36%; 29.2.2020 0.39%			
1,969,658	Lloyds Banking	**768**	**0.36**
Food Producers – 0.46%; 29.2.2020 0.77%			
288,473	SSP	**993**	**0.46**
Home Builders – 0.21%; 29.2.2020 0.00%			
287,237	Taylor Wimpey	**453**	**0.21**
Insurance – 0.32%; 29.2.2020 0.00%			
114,359	Lancashire	**702**	**0.32**
Internet – 0.91%; 29.2.2020 0.00%			
46,249	Auto Trader	254	0.12
378,549	Moonpig	1,703	0.79
		1,957	**0.91**
Real Estate Investment & Services – 0.00%; 29.2.2020 0.54%			
Real Estate Investment Trusts – 0.54%; 29.2.2020 0.00%			
692,098	Capital & Counties Properties	**1,174**	**0.54**
Retail – 0.43%; 29.2.2020 0.00%			
74,866	J D Wetherspoon[Ø]	**925**	**0.43**
UNITED STATES VIRGIN ISLANDS – 0.00%; 29.2.2020 0.09%			
Real Estate Investment & Services – 0.00%; 29.2.2020 0.09%			
BONDS – 55.62%; 29.2.2020 56.30%			
UK Sterling Denominated ECP Bonds – 55.62%; 29.2.2020 56.30%			
£3,000,000	ABN Amro Bank 0% 6/5/2021	3,000	1.39
£5,000,000	Agence Centrale Organismes 0% 8/3/2021	5,000	2.31
£2,000,000	Agence Centrale Organismes 0% 26/3/2021	2,000	0.92
£3,000,000	Agence Centrale Organismes 0% 10/5/2021	3,000	1.39
£1,000,000	Albion Capital Corporation 0% 29/3/2021	1,000	0.46
£4,000,000	Allianz 0% 21/4/2021	4,000	1.85
£9,000,000	Banque Federative Du Credit 0% 1/4/2021	9,000	4.16
£7,000,000	Bred Banque Populaire 0% 11/5/2021	6,999	3.23
£7,000,000	DBS Bank 0% 20/4/2021	7,000	3.23
£1,000,000	DBS Bank 0% 22/6/2021	1,000	0.46
£1,000,000	Dexia Credit Local 0% 26/3/2021	1,000	0.46
£1,000,000	Dexia Credit Local 0% 30/3/2021	1,000	0.46
£4,000,000	Dexia Credit Local 0% 20/5/2021	4,000	1.85
£7,000,000	Erste Abwicklungsanstalt 0% 19/4/2021	7,000	3.23
£7,000,000	Federation Des Caisses Desjard 0% 11/3/2021	7,000	3.23
£6,000,000	LMA 0% 3/3/2021	6,000	2.77
£2,000,000	Matchpoint Finance Public 0% 6/4/2021	2,000	0.92
£5,000,000	Matchpoint Finance Public 0% 12/4/2021	5,000	2.31
£1,000,000	Matchpoint Finance Public 0% 20/4/2021	1,000	0.46
£2,000,000	Mont Blanc Capital 0% 15/3/2021	2,000	0.92
£6,000,000	Municipality Finance 0% 13/4/2021	6,000	2.77
£4,000,000	OP Corporate Bank 0% 5/1/2022	3,995	1.84
£2,000,000	Sheffield Receivables 0% 1/3/2021	2,000	0.92
£2,000,000	Sheffield Receivables 0% 1/6/2021	1,999	0.92
£7,000,000	Sumitomo Mitsui Banking 0% 14/6/2021	6,998	3.23
£7,000,000	Sunderland Receivables 0% 8/4/2021	6,999	3.23
£1,000,000	Svenska Handelbanken 0% 30/4/2021	1,000	0.46
£2,500,000	Swedbank 0% 1/3/2021	2,500	1.15
£3,000,000	Swedbank 0% 31/3/2021	3,000	1.39
£3,000,000	Toyota Motor Finance 0% 10/5/2021	3,000	1.39
£2,000,000	Toyota Motor Finance 0% 10/5/2021	2,000	0.92

Portfolio Statement continued

Holding or Nominal Value	Investment^	Market Value £000's	% of Total Net Assets
£3,000,000	Toyota Motor Finance 0% 29/6/2021	2,999	1.39
		120,489	**55.62**
Certificate of deposits – 30.46%; 29.2.2020 36.23%			
£8,000,000	Bank of America 0.04% Certificate of Deposit 3/8/2021	7,998	3.69
£1,000,000	Citibank 0.01% Certificate of Deposit 15/3/2021	1,000	0.46
£3,000,000	Citibank 0.02% Certificate of Deposit 4/5/2021	3,000	1.39
£3,000,000	Citibank 0.04% Certificate of Deposit 10/5/2021	3,000	1.38
£7,000,000	Goldman Sachs 0% Certificate of Deposit 9/8/2021	6,998	3.23
£6,000,000	Handelsbanken 0.02% Certificate of Deposit 10/5/2021	6,000	2.77
£1,000,000	Handelsbanken 0.035% Certificate of Deposit 4/5/2021	1,000	0.46
£4,000,000	Mizuho Bank 0.03% Certificate of Deposit 12/4/2021	4,000	1.85
£5,000,000	Mizuho Bank 0.03% Certificate of Deposit 21/4/2021	5,000	2.31
£4,000,000	MUFG Bank 0% Certificate of Deposit 1/4/2021	4,000	1.85
£5,000,000	National Bank of Canada 0.03% Certificate of Deposit 8/10/2021	4,998	2.31
£8,000,000	Standard Chartered 0% Certificate of Deposit 12/8/2021	7,996	3.69
£1,000,000	Sumitomo Mitsui Banking 0% Certificate of Deposit 6/4/2021	1,000	0.46
£1,000,000	Sumitomo Mitsui Banking 0% Certificate of Deposit 27/4/2021	1,000	0.46
£4,000,000	Sumitomo Mitsui Banking 0% Certificate of Deposit 19/5/2021	3,999	1.85
£3,000,000	Sumitomo Mitsui Banking 0% Certificate of Deposit 11/6/2021	2,999	1.38
£1,000,000	Sumitomo Mitsui Banking 0.05% Certificate of Deposit 17/6/2021	1,000	0.46
£1,000,000	UBS London 0.01% Certificate of Deposit 17/6/2021	1,000	0.46
		65,988	**30.46**

Holding or Nominal Value	Investment	Underlying Exposure – Derivatives £000's	Market Value £000's	% of Total Net Assets
DERIVATIVES – (2.97%); 29.2.2020 (2.48%)				
UK Sterling – (3.00%); 29.2.2020 (3.48%)				
CFDs Short – (0.44%); 29.2.2020 3.14%				
Aerospace & Defence – (0.14%); 29.2.2020 0.12%				
(2,237,855)	Rolls-Royce	**3,364**	**(313)**	**(0.14)**
Agriculture – 0.02%; 29.2.2020 0.02%				
(32,264)	Imperial Brands	**330**	**35**	**0.02**
Banks – (0.32%); 29.2.2020 0.00%				
(1,917,948)	HSBC	**3,667**	**(686)**	**(0.32)**
Beverages – 0.10%; 29.2.2020 0.24%				
(141,579)	Britvic	2,536	6	0.00
(141,134)	Diageo	8,378	223	0.10
		10,914	**229**	**0.10**
Building Materials – (0.02%); 29.2.2020 (0.01%)				
(295,358)	Kier	**1,671**	**(34)**	**(0.02)**
Chemicals – 0.05%; 29.2.2020 0.12%				
(29,299)	Croda International	2,443	113	0.05
(3,639)	Johnson Matthey	730	(5)	0.00
		3,173	**108**	**0.05**

Holding or Nominal Value	Investment	Underlying Exposure – Derivatives £000's	Market Value £000's	% of Total Net Assets
	Commercial Services – 0.12%; 29.2.2020 0.32%			
(34,926)	Aggreko	3,252	18	0.01
(360,982)	Babcock International	920	12	0.01
(41,187)	Experian	2,806	143	0.07
(14,668)	Intertek	7,833	57	0.03
		14,811	**230**	**0.12**
	Cosmetics & Personal Care – 0.03%; 29.2.2020 0.00%			
(25,825)	Unilever	**1,152**	**57**	**0.03**
	Distribution & Wholesale – 0.05%; 29.2.2020 0.12%			
(90,879)	Bunzl	**3,251**	**100**	**0.05**
	Electrical Components & Equipment – 0.00%; 29.2.2020 0.11%			
	Engineering & Construction – 0.01%; 29.2.2020 0.05%			
(133,148)	IMI	**1,668**	**21**	**0.01**
	Food Producers – 0.28%; 29.2.2020 0.15%			
(111,615)	Ocado	**2,832**	**609**	**0.28**
	Food Services – 0.12%; 29.2.2020 0.45%			
(40,668)	Compass	4,252	2	0.00
(3,004,508)	J Sainsbury	12,910	231	0.11
(879,263)	Wm Morrison Supermarkets	4,601	21	0.01
		21,763	**254**	**0.12**
	Forest Products & Paper – 0.01%; 29.2.2020 0.00%			
(7,990)	Smurfit Kappa	**295**	**12**	**0.01**
	Home Builders – 0.02%; 29.2.2020 0.12%			
(108,616)	Barratt Developments	**834**	**33**	**0.02**
	Insurance – (0.03%); 29.2.2020 0.12%			
(35,027)	Admiral	**433**	**(60)**	**(0.03)**
	Internet – (0.03%); 29.2.2020 0.00%			
(293,693)	Trainline	**1,002**	**(61)**	**(0.03)**
	Leisure Time – (0.62%); 29.2.2020 0.38%			
(1,357,078)	TUI	**2,029**	**(1,337)**	**(0.62)**
	Mining – (0.13%); 29.2.2020 0.17%			
(36,131)	Anglo American	2,331	(66)	(0.03)
(127,070)	BHP	3,091	(224)	(0.10)
		5,422	**(290)**	**(0.13)**
	Miscellaneous Manufacturing – 0.00%; 29.2.2020 0.01%			
	Oil & Gas Producers – 0.00%; 29.2.2020 0.03%			
(17,407)	DCC	**1,577**	**(9)**	**0.00**
	Packaging & Containers – (0.03%); 29.2.2020 0.19%			
(899,341)	DS Smith	**2,669**	**(63)**	**(0.03)**
	Pharmaceuticals – 0.14%; 29.2.2020 0.08%			
(385,408)	GlaxoSmithKline	**3,312**	**305**	**0.14**

Holding or Nominal Value	Investment	Underlying Exposure – Derivatives £000's	Market Value £000's	% of Total Net Assets
Real Estate Investment Trusts – (0.04%); 29.2.2020 0.07%				
(206,159)	Land	**262**	**(94)**	**(0.04)**
Retail – (0.03%); 29.2.2020 0.22%				
(395,674)	B&M European Value Retail	1,669	68	0.03
(1,610,920)	Marks & Spencer	2,960	(124)	(0.06)
		4,629	**(56)**	**(0.03)**
Software – 0.00%; 29.2.2020 0.05%				
Transportation – 0.00%; 29.2.2020 0.01%				
CFDs Long – (2.56%); 29.2.2020 (6.62%)				
Aerospace & Defence – (0.01%); 29.2.2020 0.00%				
212,174	Meggitt	**531**	**(13)**	**(0.01)**
Agriculture – (0.27%); 29.2.2020 (0.42%)				
279,267	British American Tobacco	**3,231**	**(588)**	**(0.27)**
Alternative Energy Sources – (0.04%); 29.2.2020 (0.01%)				
460,956	John Laing	**1,115**	**(89)**	**(0.04)**
Apparel – 0.02%; 29.2.2020 0.00%				
71,111	Burberry	**2,516**	**40**	**0.02**
Banks – 0.12%; 29.2.2020 (0.85%)				
1,678,590	Barclays	1,347	202	0.09
1,454,708	Lloyds Banking	5,048	(1)	0.00
1,620,498	Standard Chartered	2,753	73	0.03
		9,148	**274**	**0.12**
Building Materials – (0.15%); 29.2.2020 (0.32%)				
195,612	CRH	**12,715**	**(323)**	**(0.15)**
Commercial Services – (0.49%); 29.2.2020 (0.81%)				
744,738	Hays	294	56	0.03
679,399	RELX	12,120	(1,188)	(0.55)
1,556,392	Rentokil Initial	7,220	(682)	(0.32)
6,277,417	Serco	7,465	753	0.35
		27,099	**(1,061)**	**(0.49)**
Diversified Financial Services – (0.01%); 29.2.2020 (0.18%)				
18,995	Hargreaves Lansdown	**6,015**	**(22)**	**(0.01)**
Electronics – (0.01%); 29.2.2020 0.00%				
36,283	Spectris	**695**	**(24)**	**(0.01)**
Food Producers – (1.67%); 29.2.2020 (0.96%)				
40,778	Associated British Foods	3,189	42	0.02
4,348,721	Tesco	10,641	(3,658)	(1.69)
		13,830	**(3,616)**	**(1.67)**
Forest Products & Paper – (0.10%); 29.2.2020 0.00%				
285,353	Mondi	**55**	**(208)**	**(0.10)**
Home Builders – (0.06%); 29.2.2020 (0.03%)				
3,077,897	Taylor Wimpey	**1,422**	**(128)**	**(0.06)**

Portfolio Statement continued

Holding or Nominal Value	Investment	Underlying Exposure – Derivatives £000's	Market Value £000's	% of Total Net Assets
	Household Products – (0.13%); 29.2.2020 0.00%			
177,399	Reckitt Benckiser	**563**	**(277)**	**(0.13)**
	Insurance – 0.29%; 29.2.2020 (0.22%)			
377,313	Prudential	**3,431**	**632**	**0.29**
	Internet – (0.14%); 29.2.2020 (0.15%)			
1,175,621	Auto Trader	**4,655**	**(301)**	**(0.14)**
	Leisure Time – 0.00%; 29.2.2020 (0.80%)			
	Media – 0.03%; 29.2.2020 0.00%			
238,048	Pearson	**1,707**	**67**	**0.03**
	Metal & Hardware – (0.01%); 29.2.2020 (0.17%)			
267,355	Bodycote	**725**	**(12)**	**(0.01)**
	Mining – 0.36%; 29.2.2020 (0.44%)			
180,953	Rio Tinto	**3,439**	**773**	**0.36**
	Miscellaneous Manufacturing – (0.04%); 29.2.2020 0.00%			
281,506	Smiths	**214**	**(83)**	**(0.04)**
	Oil & Gas Producers – 0.19%; 29.2.2020 (0.75%)			
718,435	BP	3,453	214	0.10
259,595	Royal Dutch Shell	4,875	206	0.09
		8,328	**420**	**0.19**
	Pharmaceuticals – (0.18%); 29.2.2020 (0.14%)			
113,737	AstraZeneca	**3,071**	**(389)**	**(0.18)**
	Private Equity – (0.21%); 29.2.2020 (0.25%)			
638,158	3i	**5,269**	**(452)**	**(0.21)**
	Real Estate Investment & Services – (0.01%); 29.2.2020 (0.05%)			
572,496	Grainger	**1,294**	**(11)**	**(0.01)**
	Real Estate Investment Trusts – 0.00%; 29.2.2020 0.00%			
9,793	Capital & Counties Properties	**277**	**2**	**0.00**
	Retail – (0.04%); 29.2.2020 (0.07%)			
37,489	Next	**3,453**	**(93)**	**(0.04)**
	Euro – (0.05%); 29.2.2020 0.18%			
	CFDs Short – (0.05%); 29.2.2020 0.18%			
	Leisure Time – (0.05%); 29.2.2020 0.18%			
(36,824)	Sodexo	**606**	**(116)**	**(0.05)**
	US Dollar – (0.17%); 29.2.2020 0.35%			
	CFDs Short – (0.17%); 29.2.2020 0.35%			
	Distribution & Wholesale – 0.02%; 29.2.2020 0.15%			
(11,537)	WW Grainger	**4,748**	**50**	**0.02**
	Leisure Time – (0.19%); 29.2.2020 0.20%			
(26,141)	Royal Caribbean Cruises	**1,590**	**(420)**	**(0.19)**

Portfolio Statement continued

Holding or Nominal Value	Investment	Underlying Exposure − Derivatives £000's	Market Value £000's	% of Total Net Assets
	Futures − 0.25%; 29.2.2020 0.47%			
(583)	FTSE 100 Index March 2021	**3,669**	**539**	**0.25**
	Portfolio of investments		**190,125**	**87.77**
	CASH EQUIVALENTS			
	Short-term Money Market Funds − 8.93%; 29.2.2020 10.05%			
19,339,835	BlackRock ICS Sterling Liquidity Fund†		**19,340**	**8.93**
	Net other assets		7,141	3.30
	Total net assets		**216,606**	**100.00**

Unless otherwise stated, all securities are either listed on a recognised exchange or traded on an eligible securities market.

Underlying exposure has been calculated according to the guidelines issued by the European Securities and Markets Authority ("ESMA") and represents the market value of an equivalent position in the assets underlying each financial derivative instrument.

The CFDs shown in the portfolio statement starting on page 19 are expressed at both their mark-to-market and original notional which when added together represent the current notional value of the CFDs. The current notional value of a CFD represents the reference amount used to calculate payments between the counterparties to the CFD. The full notional value represents the economic interest in the security underlying the CFD, but does not change hands in full between the counterparties.

[1] Illiquid Security Fair Valued by the Manager.

^ Investments which are less than £500 are rounded to zero.

Ø All or a portion of this investment represents a security on loan, see note 2(b) vi) for further details.

† Managed by a related party.

Statement of Total Return

for the year ended 28 February 2021

	Notes	£000's	For the year to 28.2.2021 £000's	£000's	For the year to 29.2.2020 £000's
Income					
Net capital (losses)/gains	3		(4,044)		12,088
Revenue	4	3,934		3,712	
Expenses	5	(2,505)		(4,545)	
Interest payable and similar charges	6	(3,136)		(1,097)	
Net expense before taxation		(1,707)		(1,930)	
Taxation	7	–		–	
Net expense after taxation			(1,707)		(1,930)
Total return before distributions			(5,751)		10,158
Distributions	8		(69)		(316)
Change in net assets attributable to unitholders from investment activities			**(5,820)**		**9,842**

Statement of Change in Net Assets Attributable to Unitholders

for the year ended 28 February 2021

	£000's	For the year to 28.2.2021 £000's	£000's	For the year to 29.2.2020 £000's
Opening net assets attributable to unitholders		253,704		287,943
Amounts receivable on issue of units	80,685		77,082	
Amounts payable on cancellation of units	(112,087)		(121,439)	
		(31,402)		(44,357)
Change in net assets attributable to unitholders from investment activities		(5,820)		9,842
Retained distribution on accumulation units		124		276
Closing net assets attributable to unitholders		**216,606**		**253,704**

Balance Sheet

at 28 February 2021

	Notes	28.2.2021 £000's	29.2.2020 £000's
Assets:			
Fixed assets			
– Investment assets		202,279	250,443
Current assets			
– Debtors	9	1,000	2,797
– Cash and bank balances	10	8,775	1,656
– Cash collateral posted		5,570	4,560
– Cash equivalents	11	19,340	25,501
Total assets		**236,964**	**284,957**
Liabilities:			
Investment liabilities		(12,154)	(16,799)
Creditors			
– Cash collateral payable		–	(1,110)
– Other creditors	12	(8,204)	(13,344)
Total liabilities		**(20,358)**	**(31,253)**
Net assets attributable to unitholders		**216,606**	**253,704**

G D Bamping (Director)
M T Zemek (Director)
BlackRock Fund Managers Limited
12 May 2021

Notes to Financial Statements
for the year ended 28 February 2021

1. Accounting and Distribution Policies

Accounting Policies

(a) The financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for Authorised Funds (the "SORP") issued by the Investment Management Association (now known as the Investment Association) in May 2014 and amended in June 2017.

The financial statements have been prepared on a going concern basis in accordance with UK GAAP and the SORP. The Fund is able to meet all of its liabilities from its assets. The performance, marketability and risks of the Fund are reviewed on a regular basis throughout the financial period. Therefore, the Directors of the Manager believe that the Fund will continue in operational existence for the foreseeable future and is financially sound. The Directors of the Manager are satisfied that, at the time of approving the financial statements, and following consideration of COVID-19, it is appropriate to continue to adopt the going concern basis in preparing the financial statements of the Fund.

(b) Bank interest is recognised on an accruals basis.

Dividends on quoted ordinary shares and preference shares are recognised when the securities are quoted ex-dividend. Where such securities are not quoted, dividends are recognised when the right to receive payment is established.

Dividend equivalent values on long or short Contracts for Differences ("CFDs") are recognised when the underlying securities are quoted ex-dividend. Where such securities are not quoted, dividends are recognised when the right to receive payment is established.

Revenue from fixed interest securities and European Commercial Paper ("ECP") bonds is recognised on an effective interest rate basis.

Accrued interest purchased and sold on interest bearing securities is excluded from the capital cost of these securities and dealt with as part of the revenue of the Fund.

Revenue from securities lending is accounted for net of associated costs and is recognised on an accruals basis.

(c) Ordinary stock dividends are recognised wholly as revenue and are based on the market value of the shares on the date they are quoted ex-dividend. Where an enhancement is offered, the amount by which the market value of the shares (on the date they are quoted ex-dividend) exceeds the cash dividend is taken to capital.

(d) The underlying circumstances behind both special dividends and share buy backs are reviewed on a case by case basis in determining whether the amount is revenue or capital in nature. Any tax treatment will follow the accounting treatment of the principal amount.

(e) Underwriting commission is wholly recognised as revenue when the issue takes place, except where the Fund is required to take up some or all of the shares underwritten, in which case an appropriate proportion of the commission received is deducted from the cost of those shares.

(f) All expenses, except those relating to the purchase and sale of investments are charged against revenue. All expenses are recognised on an accruals basis.

(g) Provision for corporation tax is made at the current rate on the excess of taxable revenue over allowable expenses. Provision is made on all material timing differences arising from the different treatment of items for accounting and tax purposes. A deferred tax asset is recognised only to the extent that it is considered more likely than not that there will be taxable profits in the future against which the asset can be offset.

(h) Where the end of the accounting year on the Balance Sheet date is a business day, the valuation point is 12 noon, and where the end of the accounting year on the Balance Sheet date is a non-business day, the valuation point is end of day. All investments are valued at their fair value as at the end of the accounting period. In the case of an investment which is not quoted, listed or dealt in on a recognised market, or in respect of which a listed, traded or dealt price or quotation is not available at the time of valuation, the fair value of such investment shall be estimated with care and in good faith by a competent professional person, body, firm or corporation including the Manager's pricing committee and such fair value shall be determined on the basis of the probable realisation value of the investment. The Manager shall be entitled to adopt an alternative method of valuing any particular asset if it considers that the methods of valuation set out above do not provide a fair valuation of a particular asset or liability.

For Over-the-Counter ("OTC") derivatives including Credit Default Swaps, Currency Swaps, Forward Currency Contracts, Inflation Swaps, Interest Rate Swaps, OTC Options, Swaptions, Synthetic Caps, Total Return Swaps and Volatility Swaps; fair value is determined based on valuation pricing models which take into account relevant market inputs as well as the time values, liquidity and volatility factors underlying the positions. The fair value of exchange traded and over the counter derivatives represents the price that would be required to close out the contracts at the Balance Sheet date. Amounts due to and from an individual counterparty which falls under a legally enforceable master netting agreement are netted.

Investments in single priced CIS have been valued at market values, defined as fair value, which is usually the latest available price at the Fund's 12 noon valuation point on the last business day of the accounting period.

(i) Any transactions in foreign currencies are translated into Sterling at the rates of exchange ruling on the date of any such transaction. Assets and liabilities in foreign currencies are translated into Sterling at the exchange rates ruling at the end of the accounting period. Revenue items in foreign currencies are translated into Sterling at the exchange rate when the revenue is received.

(j) Where appropriate, certain permitted financial instruments such as derivatives are used for efficient portfolio management. Where such financial instruments are used to protect or enhance revenue, the revenue and expenses derived therefrom are included in 'Revenue' in the Statement of Total Return. Where such financial instruments are used to protect or enhance capital, the gains and losses derived therefrom are included in 'Net capital (losses)/gains' in the Statement of Total Return.

(k) Cash and bank balances consist of deposits held on call with banks and cash held with clearing brokers and counterparties. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(l) Cash collateral provided by the Fund is identified on the Balance Sheet as pledged cash collateral and is not included as a component of cash and cash equivalents.

For collateral other than cash provided by the Fund, the party to whom the collateral is provided has the right by contract to sell or repledge the collateral but has an obligation to return equivalent securities to the Fund on maturity or sale of the contract. The Fund classifies these assets on its Balance Sheet separately from other assets and identifies the asset as pledged investments. Such assets are valued consistently with the accounting policies listed above.

Cash collateral provided to the Fund by counterparties is identified in the Balance Sheet as cash collateral payable. The Fund may reinvest this cash collateral and the assets purchased are included in investment assets or cash equivalents on the Balance Sheet.

For collateral received from counterparties other than cash, a disclosure of the collateral provided is made in the notes to the financial statements.

Distribution Policies

(m) The ordinary element of stock dividends is treated as revenue and forms part of the distribution.

(n) Special dividends and share buy backs recognised as revenue form part of the distribution.

(o) All of the net revenue available for distribution at the final accounting period end will be distributed to unitholders as a dividend with the balance attributable to accumulation unitholders retained within the Fund. In order to conduct a controlled dividend flow to unitholders, interim distributions may be made at the Manager’s discretion, up to a maximum of the distributable revenue available for the period. Should expenses and taxation together exceed revenue, there will be no distribution and the shortfall will be met from capital.

2. Financial Instruments and Risks

The Fund’s investment activities expose it to the various types of risk which are associated with the financial instruments and markets in which it invests. The following information is not intended to be a comprehensive summary of all risks and investors should refer to the Prospectus for a more detailed discussion of the risks inherent in investing in the Fund.

Risk management framework

The Manager has delegated the day-to-day administration of the investment programme to the Investment Manager. The Investment Manager is also responsible for ensuring that the Fund is managed within the terms of its investment guidelines and limits set out in the Prospectus. The Manager reserves to itself the investment performance, product risk monitoring and oversight and the responsibility for the monitoring and oversight of regulatory and operational risk for the Fund.

The Manager has appointed a risk manager who has responsibility for the daily risk management process with assistance from key risk management personnel of the Investment Manager, including members of the BlackRock Risk and Quantitative Analysis Group (“RQA Group”) which is a centralised group which performs an independent risk management function. The RQA Group independently identifies, measures and monitors investment risk. The RQA Group tracks the actual risk management practices being deployed across the different funds. By breaking down the components of the process, the RQA Group has the ability to determine if the appropriate risk management processes are in place for the Fund. This captures the risk management tools employed, how the levels of risk are controlled, ensuring risk/return is considered in portfolio construction and reviewing outcomes.

The principal risk exposure of the Fund is set out as follows:

(a) Market Risk

Market risk arises mainly from uncertainty about future values of financial instruments influenced by other price, currency and interest rate movements. It represents the potential loss the Fund may suffer through holding market positions in the face of market movements. The Fund is exposed to market risk by virtue of its investments in equities, warrants, rights, corporate bonds, ECP bonds, government bonds, futures contracts and CFD’s.

A key metric the RQA Group uses to measure market risk is Value-at-Risk ("VaR") which encompasses price, currency and interest rate risk. VaR is a statistical risk measure that estimates the potential portfolio loss from adverse market moves in an ordinary market environment. VaR analysis reflects the interdependencies between risk variables, unlike a traditional sensitivity analysis.

The VaR calculations are based on an adjusted historical simulation model with a confidence level of 99%, a holding period of one day and a historical observation period of not less than one year (250 days). A VaR number is defined at a specified probability and a specified time horizon. A 99% one day VaR means that the expectation is that 99% of the time over a one day period the Fund will lose less than this number in percentage terms. Therefore, higher VaR numbers indicate higher risk.

It is noted that the use of the VaR methodology has limitations, namely that the use of historical market data as a basis for estimating future events does not encompass all possible scenarios, particularly those that are of an extreme nature and that the use of a specified confidence level (e.g. 99%) does not take into account losses that occur beyond this level. There is some probability that the loss could be greater than the VaR amounts. These limitations and the nature of the VaR measure mean that the Fund can neither guarantee that losses will not exceed the VaR amounts indicated, nor that losses in excess of the VaR amounts will not occur more frequently.

The one day VaR as at 28 February 2021 and 29 February 2020 based on a 99% confidence level was 1.02% and 0.75% respectively.

i) Market risk arising from foreign currency risk

Exposure to foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The assets and liabilities of the Fund are denominated mainly in Sterling, therefore the Balance Sheet and Statement of Total Return are unlikely to be directly affected by currency movements.

Management of foreign currency risk

Foreign currency exposures are managed within parameters utilising forward currency contracts. There were no open forward currency contracts at the year end (29 February 2020: Nil).

ii) Market risk arising from other price risk

Exposure to other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market. Local, regional or global events such as war, acts of terrorism, the spread of infectious illness or other public health issue, recessions, or other events could have a significant impact on the Fund and market prices of its investments.

An outbreak of an infectious respiratory illness caused by a novel coronavirus known as COVID-19 has now developed into a global pandemic and has resulted in travel restrictions, closed international borders, enhanced health screenings at ports of entry and elsewhere, disruption of and delays in healthcare service preparation and delivery, prolonged quarantines, cancellations, supply chain disruptions, and lower consumer demand, as well as general concern and uncertainty. The impact of COVID-19 has adversely affected the economies of many nations across the entire global economy, individual issuers and capital markets, and could continue to extents that cannot necessarily be foreseen. In addition, the impact of infectious illnesses in emerging market countries may be greater due to generally less established healthcare systems. Public health crises caused by the COVID-19 outbreak may exacerbate other pre-existing political, social and economic risks in certain countries or globally. The duration of the COVID-19 outbreak and its effects cannot be determined with certainty.

The Fund is exposed to other price risk arising from its investments. The exposure of the Fund to other price risk is the market value of the investments held as shown in the Portfolio Statement of the Fund.

Management of other price risk

The Investment Manager manages the Fund's other price risk on a daily basis in accordance with the Fund's investment objective.

By diversifying the portfolio, where this is appropriate and consistent with the Fund's objectives, the risk that a price change of a particular investment will have a material impact on the Net Asset Value ("NAV") of the Fund is minimised. The investment concentrations within the portfolio are disclosed in the portfolio statement by investment type.

iii) Market risk arising from interest rate risk

Exposure to interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund is exposed to interest rate risk on its cash and bank balances held at The Bank of New York Mellon (International) Limited, amounts held at futures clearing houses and brokers, cash equivalent holdings and its investments in fixed and floating rate interest bearing securities where the value of these securities may fluctuate as a result of a change in interest rates. Cash held on deposit at The Bank of New York Mellon (International) Limited receives/incurs interest at the prevailing daily rate which may be negative depending on the currency in which the cash is held.

Management of interest rate risk

Interest rate risk exposure is managed by constantly monitoring the position for deviations outside a pre-determined tolerance level and, when necessary, rebalancing back to the original desired parameters.

(b) Counterparty credit risk

Exposure to counterparty credit risk

Counterparty credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Fund is exposed to counterparty credit risk from the parties with which they trade and will bear the risk of settlement default.

Management of counterparty credit risk

Counterparty risk is monitored and managed by BlackRock's RQA Counterparty & Concentration Risk Team. The team is headed by BlackRock's Chief Counterparty Credit Officer who reports directly to the Global Head of RQA. Credit authority resides with the Chief Counterparty Credit Officer and selected team members to whom specific credit authority has been delegated. As such, counterparty approvals may be granted by the Chief Counterparty Credit Officer or by identified RQA Credit Risk Officers who have been formally delegated authority by the Chief Counterparty Credit Officer as deemed appropriate.

BlackRock's RQA Counterparty & Concentration Risk Team completes a formal review of each new counterparty, monitors and reviews all approved counterparties on an ongoing basis and maintains an active oversight of counterparty exposures.

The Manager maintains a list of approved counterparties. This list is regularly monitored and revised for changes based on the counterparty's creditworthiness, market reputation and expectations of future financial performance. Transactions will only be opened with financial intermediaries on the approved counterparties list.

i) Exchange Traded Financial Derivative Instruments

The Fund's holdings in futures contracts expose the Fund to counterparty credit risk.

Management of counterparty credit risk related to futures contracts

The exposure is limited by trading the contracts through a clearing house. The Fund's exposure to counterparty credit risk on contracts in which it currently has a gain position is reduced by such gains received in cash from the counterparty under the daily mark-to market mechanism on exchange traded futures contracts (variation margin). The Fund's exposure to credit risk on contracts in which it currently has a loss position is equal to the amount of margin posted to the counterparty which has not been transferred to the exchange under the daily mark-to-market mechanism. The counterparty for futures contracts is Goldman Sachs International.

The market value of the exchange traded derivatives held by the Fund is shown in the portfolio statement.

Margin is paid or received on futures to cover any exposure by the counterparty or the Fund to each other. Margin receivable from the Fund's clearing brokers and various counterparties is included in "Cash and bank balances" on the Balance Sheet. Margin payable to the Fund's clearing brokers and various counterparties is included in "Amounts held at futures clearing houses and brokers" on the Balance Sheet.

Counterparty exposure has not been disclosed for exchange traded derivatives as the exchange requirements in respect of collateral mean that, in the opinion of the Manager, the counterparty risk is mitigated.

ii) Over-the-Counter ("OTC") Financial Derivative Instruments ("FDIs")

The Fund's holdings in OTC FDIs expose the Fund to counterparty credit risk.

Counterparty credit risk arises from the failure of the counterparty to perform according to the terms of the contract. The Fund's exposure to counterparty credit risk is limited to the contracts in which it currently has a gain position reduced by the cash collateral received from the counterparty or to counterparties which have received collateral from the Fund.

All OTC FDIs are entered into by the Fund under an International Swaps and Derivatives Associations, Inc. Master Agreement ("ISDA Master Agreement") or similar agreement. An ISDA Master Agreement is a bilateral agreement between the Fund and a counterparty that governs OTC FDIs (including total return swaps) entered into by the parties. The parties' exposures under the ISDA Master Agreement are netted and collateralised together, therefore any collateral disclosures provided are in respect of all OTC FDIs entered into by the Fund under the ISDA Master Agreement, not just total return swaps. All collateral received/posted by the Fund under the ISDA Master Agreement is transferred bilaterally under a title transfer arrangement.

Cash held as security by the counterparty to derivative contracts is subject to the credit risk of the counterparty.

The carrying value of financial assets together with cash best represents the Fund's gross maximum exposure to counterparty credit risk at the reporting date, before including the effect of ISDA Master Agreements and close-out netting, which would reduce the overall counterparty credit risk exposure.

The Fund's maximum exposure to counterparty credit risk from holding forward currency contracts will be equal to the notional amount of the currency and any net unrealised gains or losses as disclosed in the portfolio statement.

Management of counterparty credit risk related to OTC FDIs

Forward currency contracts do not require variation margin and thus the counterparty credit risk is monitored through the BlackRock RQA Counterparty & Concentration Risk Team which monitors the creditworthiness of the counterparty. The counterparties for forward currency contracts are disclosed in the portfolio statement.

The lowest credit rating of any one counterparty as at 28 February 2021 was BBB+ (29 February 2020: BBB+).

The following tables detail the number of counterparties the Fund is exposed to by OTC FDIs type and the maximum exposure (which is calculated on a net basis) to any one counterparty.

28 February 2021

Counterparty	Contracts for Differences £000's	Total Exposure £000's
Deutsche Bank AG	(1,527)	(1,527)
HSBC Bank Plc	(1,220)	(1,220)
J.P. Morgan Securities Plc	(4,231)	(4,231)

29 February 2020

Counterparty	Contracts for Differences £000's	Total Exposure £000's
Deutsche Bank AG	(2,966)	(2,966)
HSBC Bank Plc	1,531	1,531
J.P. Morgan Securities Plc	(5,677)	(5,677)
Merrill Lynch International	(385)	(385)

iii) Trustee and Custodian

The Fund's Trustee and Custodian is The Bank of New York Mellon (International) Limited (the "Trustee" and "Custodian").

Substantially all of the investments other than FDIs of the Fund are held by the Custodian at year end. Investments are segregated from the assets of the Custodian, with ownership rights remaining with the Fund. Bankruptcy or insolvency of the Custodian may cause the Fund's rights with respect to its investments held by the Custodian to be delayed or limited. The maximum exposure to this risk is the total amount of equity and bond investments disclosed in the Portfolio Statement.

The Fund will be exposed to the credit risk of the Custodian, or any depositary used by the Trustee regarding cash balances held in accounts with same. In the event of insolvency or bankruptcy of the Custodian or any depositary used by the Trustee, the Fund will be treated as a general creditor of the Trustee.

Management of counterparty credit risk related to the Trustee and Custodian

To mitigate the Fund's credit risk with respect to the Trustee, the Investment Manager of the Fund employs specific procedures to ensure that the Trustee employed is a reputable institution and that the associated credit risk is acceptable to the Fund. The Fund only transacts with counterparties that are regulated entities subject to prudential supervision, or with high credit-ratings assigned by international credit-rating agencies.

The long term credit rating of the parent company of the Trustee and Custodian, The Bank of New York Mellon Corporation, as at 28 February 2021 was AA- (29 February 2020: AA-) (Standard & Poor's rating).

iv) Counterparties

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

Counterparty credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used.

Management of counterparty credit risk related to Counterparties

The Manager monitors the credit rating and financial position of the brokers used to further mitigate this risk.

v) Debt securities

Issuer credit risk is the default risk of one of the issuers of any securities held by the Fund.

Bonds or other debt securities involve credit risk to the issuer which may be evidenced by the issuer's credit rating. Securities which are subordinated and/or have a higher credit risk have a greater possibility of default than more highly rated securities. The Fund invests into sovereign and corporate debt which exposes the Fund to the risk that the issuer of the bonds may default on interest or principal payments.

Management of counterparty credit risk related to debt securities

To manage this risk the Investment Manager invests in a wide range of securities, subject to the investment objective of the Fund and monitors the credit rating of the investments as disclosed in the portfolio statement. The ratings of the debt securities are continually monitored by the BlackRock Portfolio Management Group..

The following tables detail the credit rating profile of the debt securities held by the Fund as a percentage of the NAV as at the Balance Sheet date:

28 February 2021

Investment grade %	Non-investment grade %	Not rated %	Total %
86.08	–	–	86.08

29 February 2020

Investment grade %	Non-investment grade %	Not rated %	Total %
92.53	–	–	92.53

vi) Securities lending

The Fund engages in security lending activities which expose the Fund to counterparty credit risk. The maximum exposure to the Fund is equal to the value of the securities loaned.

Securities lending transactions entered into by the Fund are subject to a written legal agreement between the Fund and the Stock Lending Agent, BlackRock Advisors (UK) Limited, a related party to the Fund, and separately between the Stock Lending Agent and the approved borrowing counterparty. Collateral received in exchange for securities lent is transferred under a title transfer arrangement and is delivered to and held in an account with a tri-party collateral manager in the name of the Trustee on behalf of the Fund. Collateral received is segregated from the assets belonging to the Fund's Trustee or the Stock Lending Agent.

The following table details the value of securities on loan (individually identified in the Portfolio Statement) and associated collateral received, analysed by borrowing counterparty as at the Balance Sheet date.

		28 February 2021		29 February 2020	
Counterparty	Counterparty's country of establishment	Securities on loan £000's	Collateral received £000's	Securities on loan £000's	Collateral received £000's
Credit Suisse AG Dublin Branch	Ireland	–	–	421	443
UBS AG	Switzerland	168	189	–	–
Total		**168**	**189**	**421**	**443**

At 28 February 2021, collateral received from these borrowing counterparties comprised of 1.47% in debt securities and 98.53% in equity securities (29 February 2020: 59.59% in debt securities and 40.41% in equity securities).

Collateral accepted is non-cash in the form of sovereign debt rated AA or better from approved governments only, supranational debt obligations rated AAA or better and equity securities listed on a recognised exchange.

Management of counterparty credit risk related to securities lending

To mitigate this risk, the Fund receives either cash or securities as collateral equal to a certain percentage in excess of the fair value of the securities loaned. The Investment Manager monitors the fair value of the securities loaned and additional collateral is obtained, if necessary. As at 28 February 2021 and 29 February 2020, all non-cash collateral received consists of securities admitted to or dealt on a recognised exchange.

The Fund also benefits from a borrower default indemnity provided by BlackRock Inc. The indemnity allows for full replacement of securities lent. BlackRock Inc. bears the cost of indemnification against borrower default.

vii) Collateral

The Fund engages in activities which may require collateral to be provided to a counterparty (“collateral posted”) or may hold collateral received (“collateral received”) from a counterparty.

Management of counterparty credit risk related to collateral

The Fund uses inbound collateral received from a counterparty to reduce the credit risk associated with any trading activity the Fund has engaged in.

Cash collateral posted by the Fund is separately identified on the Balance Sheet as cash collateral posted and is not included as a component of cash and cash equivalents. Cash collateral received by the Fund is reflected on the Balance Sheet as cash collateral payable.

As at 28 February 2021 collateral received by the Fund in respect of OTC FDIs was £Nil. Collateral posted by the Fund in respect of OTC FDIs was £5,570,000 in the form of cash.

As at 29 February 2020 collateral received by the Fund in respect of OTC FDIs was £1,110,000 in the form of cash. Collateral posted by the Fund in respect of OTC FDIs was £4,560,000 in the form of cash..

(c) Liquidity risk

Exposure to liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulties in meeting its obligations associated with financial liabilities.

Liquidity risk to the Fund arises from the redemption requests of unitholders and the liquidity of the underlying investments the Fund is invested in. The Fund’s unitholders may redeem their units on the close of any daily dealing deadline for cash equal to a proportionate share of the Fund’s NAV. The Fund is therefore potentially exposed to the liquidity risk of meeting the unitholders’ redemptions and may need to sell assets at prevailing market prices to meet liquidity demands.

The Fund is also exposed to the liquidity risk of daily margin calls on derivatives.

All non-derivative financial liabilities including distributions payable held by the Fund as at 28 February 2021 and 29 February 2020, based on contractual maturities, fall due within one to three months.

Management of liquidity risk

Liquidity risk is minimised by holding sufficient liquid investments which can be readily realised to meet liquidity demands.

At times of excessive redemptions the Manager may decide to defer redemptions at any valuation point to the next valuation point where the requested aggregate redemptions exceed 10 per cent of the Fund's NAV. This will therefore allow the Manager to protect the interests of continuing unitholders by allowing the Manager to match the sale of scheme property to the level of redemptions. This should reduce the impact of dilution on the Fund. All unitholders who have sought to redeem units at any valuation point at which redemptions are deferred will be treated consistently and any redemption requests received in the meantime will not be processed until the redemption requests that have been deferred to the subsequent valuation points have been processed.

The Fund's liquidity risk is managed on a daily basis by the Investment Manager in accordance with established policies and procedures in place. The portfolio managers review daily forward looking cash reports which project cash obligations. These reports allow them to manage the Fund's cash obligations.

(d) Valuation of financial instruments

The Fund classifies financial instruments measured at fair value using a fair value hierarchy. The fair value hierarchy has the following categories:

Level 1 − Unadjusted quoted prices for identical instruments in active markets

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Fund does not adjust the quoted price for these instruments.

Level 2 − Valuation techniques using observable inputs other than quoted prices in level 1

This category includes instruments valued using quoted prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Valuation techniques used for non-standardised financial instruments such as OTC derivatives, include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity determined inputs.

Level 3 − Valuation techniques using significant unobservable inputs

This category includes all instruments where the valuation techniques used include inputs not based on market data and these inputs could have a significant impact on the instrument's valuation.

This category also includes instruments that are valued based on quoted prices for similar instruments where significant entity determined adjustments or assumptions are required to reflect differences between the instruments and instruments for which there is no active market.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. The determination of what constitutes 'observable' inputs requires significant judgement by the Investment Manager. The Investment Manager considers observable inputs to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The table below is an analysis of the Fund's investment assets and investment liabilities measured at fair value at the Balance Sheet date.

	Level 1 £000's	Level 2 £000's	Level 3 £000's	Total £000's
28 February 2021				
Investment assets	10,408	191,653	218	**202,279**
Investment liabilities	–	(12,154)	–	**(12,154)**
29 February 2020				
Investment assets	5,863	244,580	–	**250,443**
Investment liabilities	–	(16,799)	–	**(16,799)**

Securities with a value less than £500 are not disclosed in the table above.

(e) Global exposure

The Manager is required by the COLL Sourcebook to employ a risk management process in respect of the Fund which enables it to accurately monitor and manage the global exposure from Financial Derivative Instruments ("FDIs").

The Manager uses the Absolute VaR methodology to measure the Fund's global exposure. For Absolute VaR, the monthly VaR will not exceed 20% of the Fund's NAV. Where a VaR calculation is performed using a horizon other than the one month regulatory limit, this 20% limit will be rescaled to reflect the appropriate risk horizon period as directed by the relevant regulatory guidelines. Utilisation refers to the level of risk taken in this context.

The exposures to FDIs at year end are marked on the Portfolio Statement.

The tables below detail the highest, lowest and average utilisation of the VaR limit, expressed as a percentage of the respective relative VaR regulatory limit.

28 February 2021

Highest utilisation of the VaR limit	Lowest utilisation of the VaR limit	Average utilisation of the VaR limit
40.03%	13.86%	27.66%

29 February 2020

Highest utilisation of the VaR limit	Lowest utilisation of the VaR limit	Average utilisation of the VaR limit
16.77%	7.38%	10.91%

(f) Leverage

The use of derivatives may expose the Fund to a higher degree of risk. In particular, derivative contracts can be highly volatile and the amount of initial margin is generally small relative to the size of the contract so that transactions may be leveraged in terms of market exposure. A relatively small market movement may have a potentially larger impact on derivatives than on standard bonds or equities. Leveraged derivative positions can therefore increase a fund's volatility.

The leverage is calculated on a gross exposure basis, by taking the sum of the notional values of the derivatives used by the Fund, without netting, and is expressed as a percentage of the NAV.

The average level of leverage employed by the Fund during the year was 106.45% (29 February 2020: 109.64%).

3. Net Capital (Losses)/Gains

	For the year to 28.2.2021 £000's	For the year to 29.2.2020 £000's
The net capital (losses)/gains comprise:		
Gains/(losses) on non-derivative securities	3,482	(843)
(Losses)/gains on derivative securities	(7,691)	12,940
Currency gains/(losses)	174	(2)
Custodian transaction costs	(9)	(7)
Net capital (losses)/gains	**(4,044)**	**12,088**

4. Revenue

	For the year to 28.2.2021 £000's	For the year to 29.2.2020 £000's
Interest from certificates of deposit	140	475
Interest from overseas fixed interest securities	–	318
Interest from UK bank deposits	3	98
Interest from UK fixed interest securities	–	36
Revenue from Contracts for Differences	3,703	2,351
Revenue from short-term money market funds	42	191
Securities lending revenue	–	1
Stock dividends	9	16
UK dividends	27	226
Underwriting commission	10	–
Total revenue	**3,934**	**3,712**

5. Expenses

	For the year to 28.2.2021 £000's	For the year to 29.2.2020 £000's
Payable to the Manager or associates of the Manager:		
– Annual service charge	358	395
– Manager's charge	2,062	2,299
– Performance fees†	4	1,784
	2,424	4,478
Other expenses:		
– Audit fee	10	9
– Legal and other professional fees	1	–
– Safe custody fees	35	21
– Trustee's fees	35	37
	81	67
Total expenses	**2,505**	**4,545**

† A performance fee is payable in respect of all unit classes with the exception of the class A Income and A Accumulation units with regards to any outperformance as per the calculation methodology outlined in the Prospectus.

6. Interest Payable and Similar Charges

	For the year to 28.2.2021 £000's	For the year to 29.2.2020 £000's
Finance charges on Contracts for Differences	825	1,073
Interest on bank overdrafts	2	23
Interest paid on margin deposits	–	1
Returns from short position Contracts for Differences	2,309	–
Total interest payable and similar charges	**3,136**	**1,097**

7. Taxation

(a) Analysis of tax charge

	For the year to 28.2.2021 £000's	For the year to 29.2.2020 £000's
Corporation tax	–	–
Total tax charge [see note 7(b)]	**–**	**–**

7. Taxation continued

(b) Factors affecting the tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK for an authorised unit trust. The differences are explained below:

	For the year to 28.2.2021 £000's	For the year to 29.2.2020 £000's
Net expense before taxation	(1,707)	(1,930)
Corporation tax at 20% (29 February 2020: 20%)	(341)	(386)
Effects of:		
Movement in unrecognised excess management expenses	348	433
Revenue not subject to tax	(7)	(47)
Total tax charge [see note(a)]	**–**	**–**

At 28 February 2021, the Fund had surplus management expenses of £96,519,000 (29 February 2020: £94,777.) It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and, therefore, a deferred tax asset of £19,304,000 (29 February 2020: £18,955,000) has not been recognised.

8. Distributions

	For the year to 28.2.2021 £000's	For the year to 29.2.2020 £000's
Interim distribution	147	304
Final distribution	–	–
	147	304
Less: Amounts deducted on cancellation of units	(96)	(243)
Add: Amounts received on issue of units	18	255
Distributions	**69**	**316**
The distributable amount has been calculated as follows:		
Net expense after taxation	(1,707)	(1,930)
Less: Equalisation on conversions	–	(1)
Add: Shortfall transferred to capital	1,776	2,247
Distributions	**69**	**316**

Details of the interim and final distributions per unit are set out in the tables on page 12.

9. Debtors

	28.2.2021 £000's	29.2.2020 £000's
Accrued revenue	52	604
Amounts receivable for issue of units	445	1,483
Amounts receivable from brokers on contracts for differences	503	710
Total debtors	**1,000**	**2,797**

10. Cash and Bank Balances

	28.2.2021 £000's	29.2.2020 £000's
Amount held at futures clearing houses and brokers	4,852	458
Cash and bank balances	3,923	1,198
Total cash and bank balances	**8,775**	**1,656**

11. Cash Equivalents

	28.2.2021 £000's	29.2.2020 £000's
Investment in short-term money market funds	19,340	25,501
Total cash equivalents	**19,340**	**25,501**

12. Other Creditors

	28.2.2021 £000's	29.2.2020 £000's
Accrued Annual service charge	108	157
Accrued Audit fee	9	8
Accrued Manager's charge	630	367
Accrued Performance fee	4	–
Accrued Safe custody fees	14	3
Accrued Trustee's fee	11	6
Amounts payable for cancellation of units	1,268	2,530
Amounts payable with respect to Contracts for Differences	4,158	279
Custodian transaction costs	2	1
Purchases awaiting settlement	2,000	9,993
Total other creditors	**8,204**	**13,344**

13. Contingent Assets and Liabilities

There were no contingent assets or liabilities at the Balance Sheet date (29 February 2020: £Nil).

14. Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The following entities were related parties of the Fund during the year ended 28 February 2021:

Manager/Registrar:	BlackRock Fund Managers Limited
Investment Manager:	BlackRock Investment Management (UK) Limited
Stock Lending Agent:	BlackRock Advisors (UK) Limited

The ultimate holding company of the Manager, Registrar, Investment Manager and securities lending agent is BlackRock Inc. ("BlackRock"), a company incorporated in Delaware, USA. During the year to 28 February 2021, PNC Financial Services Group Inc. ("PNC") was a substantial shareholder in BlackRock Inc. PNC did not provide any services to the Fund during the years ended 28 February 2021 and 29 February 2020. On 11 May 2020, PNC announced its intent to sell its investment in BlackRock, Inc. through a registered offering and related buyback by BlackRock.

The Manager acts as either principal or agent for the Trustee in respect of all transactions of units of the Fund. The aggregate monies received through issue and paid through cancellation of units are disclosed in the Statement of Change in Net Assets Attributable to Unitholders and note 8.

The Fund may invest in other Collective Investment Schemes ("CIS"), which may or may not be operated and/or managed by an affiliate of the Manager. As an investor in such other CIS, in addition to the fees, costs and expenses payable by a unitholder in the Fund, each unitholder may also indirectly bear a portion of the fees, costs and expenses of the underlying CIS, including management, investment management and administration and other expenses. However, in respect of investments made in any other investment fund whose manager is an affiliate of the Manager, the Fund will invest, where possible, in classes of the underlying funds which are not subject to any management charges. Alternatively, where this is not possible, the Manager will rebate management charges to the Fund. The Fund will not be subject to any preliminary/initial sales fee in respect of investments made in any other investment fund whose manager is an affiliate of the Manager, although it may be subject to duties and charges in respect of subscriptions and redemptions in such investment funds.

As at 28 February 2021 and 29 February 2020, none of the unitholders:

(i) are funds managed by the BlackRock Group or are affiliates of BlackRock Inc. or

(ii) are investors, other than those included in (i) above, who held 51% or more of the voting units in issue in the Fund and are as a result, considered to be a related party to the Fund.

15. Portfolio Transaction Costs

For the year ended 28 February 2021

Purchases (excluding derivatives)	Transaction Value £000's	Direct Transaction Costs Commissions £000's	%	Taxes £000's	%
Equity instruments	7,650	–	–	–	–
Debt instruments	2,240,808	–	–	–	–
Total purchases	**2,248,458**	**–**		**–**	
Total purchases including transaction costs	**2,248,458**				

Sales (excluding derivatives)	Transaction Value £000's	Direct Transaction Costs Commissions £000's	%	Taxes £000's	%
Equity instruments	3,233	1	0.03	–	–
Debt instruments	2,289,501	–	–	–	–
Total sales	**2,292,734**	**1**		**–**	
Total sales net of transaction costs	**2,292,733**				
Derivative transaction costs		**5**		**–**	
Total transaction costs		**6**		**–**	
Total transaction costs as a % of average net assets		**0.00%**		**0.00%**	

15. Portfolio Transaction Costs continued

For the year ended 29 February 2020

Purchases (excluding derivatives)	Transaction Value £000's	Direct Transaction Costs Commissions £000's	%	Taxes £000's	%
Equity instruments	988	–	–	–	–
Debt instruments	1,220,926	–	–	–	–
Total purchases	**1,221,914**	**–**		**–**	
Total purchases including transaction costs	**1,221,914**				

Sales (excluding derivatives)	Transaction Value £000's	Direct Transaction Costs Commissions £000's	%	Taxes £000's	%
Equity instruments	5,104	1	0.02	–	–
Debt instruments	1,235,255	–	–	–	–
Total sales	**1,240,359**	**1**		**–**	
Total sales net of transaction costs	**1,240,358**				
Derivative transaction costs		**10**		**–**	
Total transaction costs		**11**		**–**	
Total transaction costs as a % of average net assets		**0.00%**		**0.00%**	

The above analysis covers direct transaction costs incurred by the Fund during the year. However it is important to understand the nature of other transaction costs associated with different investment asset classes and instruments types.

Separately identifiable direct transaction costs (such as commissions and taxes) are attributable to the Fund's purchase and sale of equity instruments. Additionally, for equity shares there is a dealing spread cost (the difference between the buying and selling prices) which will be incurred on purchase and sale transactions.

For the Fund's investment transactions in debt and money market instruments any applicable transaction charges form part of the dealing spread for these instruments. Transactions in money market instruments to manage the Fund's daily liquidity position are excluded from the analysis.

For the Fund's investment in collective investment scheme holdings there will potentially be dealing spread costs applicable to purchases and sales. However additionally there are indirect transaction costs incurred in those underlying funds, throughout the holding period for the instruments, which are not separately identifiable and do not form part of the analysis above.

During the year the Fund utilised FDIs including CFDs and futures contracts covering different underlying asset classes. The settlement values for opening and closing derivative positions are not comparable to principal values for transactions in direct holding investments and therefore purchase and sale amounts for derivative transactions are not quantified in the analysis above.

15. Portfolio Transaction Costs continued

Transaction costs for derivatives positions will be either incurred as direct costs or form part of the dealing spread for the instruments. Any direct costs are identified in the analysis above. Dealing spread costs incurred by the Fund vary considerably for the different asset/instrument types depending on a number of factors including transaction value and market sentiment.

At the Balance Sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.01% (29 February 2020: 0.03%).

16. Units in Issue

The movement in units in issue for the year ended 28 February 2021 is as follows:

	A Income Units	A Accumulation Units	P Accumulation Units	D Accumulation Units
Balance at the beginning of the year	21,222	225,533	33,626,812	80,529,444
Issued during the year	–	33,420	1,778,074	25,287,589
Cancelled during the year	(1,163)	(9,661)	(6,322,648)	(42,992,545)
Converted during the year	–	(3,139)	(28,281)	(203,527)
Balance at the end of the year	**20,059**	**246,153**	**29,053,957**	**62,620,961**

	S Income Units	S Accumulation Units
Balance at the beginning of the year	19,025,747	52,383,609
Issued during the year	13,346,437	22,267,023
Cancelled during the year	(4,751,508)	(29,379,780)
Converted during the year	–	319,709
Balance at the end of the year	**27,620,676**	**45,590,561**

Revenue is allocated each day pro rata to the capital value of assets attributable to each class and taxation is computed by reference to the net revenue after expenses attributable to each class. The distribution per unit class is given in the distribution table. All unit classes have the same rights on winding up.

17. Post Balance Sheet Events

There have been no significant events subsequent to the year end, which, in the opinion of the Manager, may have had an impact on the Financial Statements for the year ended 28 February 2021.

Statement of Manager's Responsibilities

The Manager is required by the rules of the COLL Sourcebook to prepare the financial statements for each financial year. These financial statements must be prepared in accordance with generally accepted accounting standards in the United Kingdom to give a true and fair view of the state of affairs of the Fund at the year end and of the net expense and net losses for the year.

The financial statements should comply with the disclosure requirements of the Statement of Recommended Practice (the "SORP") for Authorised Funds issued by the Investment Management Association (subsequently The Investment Association) and must comply with any relevant provisions of the Trust Deed.

The Manager is responsible for keeping such accounting records as are necessary to enable it to ensure that the financial statements comply with the COLL Sourcebook, the SORP and the Trust Deed.

Statement of the Trustee's Responsibilities in Respect of the Fund and Report of the Trustee to the Unitholders of the Fund for the Year Ended 28 February 2021

The Depositary in its capacity as Trustee of the Fund must ensure that the Fund is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Trust Deed and Prospectus (together "the Scheme documents") as detailed below.

The Trustee must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Fund and its investors.

The Trustee is responsible for the safekeeping of all the custodial assets and maintaining a record of all other assets of the Fund in accordance with the Regulations.

The Trustee must ensure that:

- the Fund's cash flows are properly monitored and that cash of the Fund is booked in cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units of the Fund are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Fund's assets is remitted to the Fund within the usual time limits
- the Fund's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ("the AFM"), which is the UCITS Management Company, are carried out (unless they conflict with the Regulations).

The Trustee also has a duty to take reasonable care to ensure that the Fund is managed in accordance with the Regulations and the Scheme documents of the Fund in relation to the investment and borrowing powers applicable to the Fund.

Having carried out such procedures as we considered necessary to discharge our responsibilities as Trustee of the Fund, it is our opinion, based on the information available to us and the explanations provided, that, in all material respects the Fund, acting through the AFM:

(a) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Fund's units and the application of the Fund's income in accordance with the Regulations and the Scheme documents of the Fund; and

(b) has observed the investment and borrowing powers and restrictions applicable to the Fund in accordance with the Regulations and the Scheme documents of the Fund.

The Bank of New York Mellon
(International) Limited

London
12 May 2021

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Independent Auditor's Report to the Unitholders of BlackRock UK Absolute Alpha Fund

Opinion

We have audited the financial statements of BlackRock UK Absolute Alpha Fund ("the Fund") for the year ended 28 February 2021, which comprise the Statement of Total Return, the Statement of Change in Net Assets Attributable to Unitholders, the Balance Sheet, the related notes, the Distribution Tables, and the accounting and distribution policies of the Fund set out on pages 27 to 29, which include a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Fund as at 28 February 2021 and of the net expense and the net capital losses on the scheme property of the Fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ("FRC") Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Manager's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Manager with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Fund's ability to continue as a going concern.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The Manager is responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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Opinions on other matters prescribed by the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority (the "FCA")

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority and the Instrument of Incorporation; and
- there is nothing to indicate that adequate accounting records have not been kept or that the financial statements are not in agreement with those records; and
- the information given in the Manager's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter in relation to which the Collective Investment Schemes Sourcebook of the Financial Conduct Authority requires us to report to you if, in our opinion:

- we have not received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of the Manager

As explained more fully in the Manager's responsibilities statement set out on page 47, the Manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to wind up or terminate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are United Kingdom Generally Accepted Accounting Practice, the Investment Management Association Statement of Recommended practice (the "IMA SORP"), the FCA Collective Investment Schemes Sourcebook, the Trust Deed and the Prospectus.
- We understood how the Fund is complying with those frameworks through discussions with the Manager and the Fund's administrator. We corroborated our enquiries through our inspection of Board minutes and a review of the Fund's documented policies and procedures.
- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the risk of management override, specifically management's propensity to influence revenue and amounts available for distribution. We identified two fraud risks with respect to the incomplete or inaccurate income recognition through incorrect classification of special dividends and the resulting impact to amounts available for distribution; and with the incorrect valuation of unquoted investments. Our procedures involved journal entry testing by specific risk criteria, with a focus on manual top side financial statement adjustments and journals indicating large or unusual transactions based on our understanding of the business. We tested the appropriateness of management's classification of material special dividends as either a capital or revenue return. In relation to unquoted investments, our procedures involved gaining an understanding of processes and controls surrounding the valuation of investments, reviewing a sample of the valuations prepared by management, challenging the reasonableness of key assumptions used by management and their appropriateness in accordance with the applicable valuation guidelines, and obtaining evidence for the significant inputs to the valuation. We incorporated unpredictability into the nature, timing and extent of our testing.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting by the Manager with respect to the application of the documented policies and procedures and

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review of the financial statements to test compliance with the reporting requirements of the Fund.

- Due to the regulated nature of the Fund, the Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities to identify non-compliance with the applicable laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities . This description forms part of our auditor's report.

Use of our report

This report is made solely to the Fund's unitholders, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the Fund's unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP
Statutory Auditor

Edinburgh
13 May 2021

Supplementary Information

Efficient Portfolio Management Techniques

The Manager may, on behalf of the Fund and subject to the conditions and within the limits laid down by the FCA and the Prospectus, employ techniques and instruments relating to transferable securities, including investments in OTC FDIs provided that such techniques and instruments are used for efficient portfolio management purposes or to provide protection against exchange risk or for direct investment purposes, where applicable.

In addition to the investments in OTC FDIs, the Fund may employ other techniques and instruments relating to transferable securities and money market instruments, subject to the conditions set out in the Fund's Prospectus, as amended from time to time, and the relevant ESMA Guidelines, such as repurchase/reverse repurchase transactions ("repo transactions") and securities lending.

Securities Lending and Contracts for Difference (CFDs)

The following table details the value of securities on loan as a proportion of the Fund's total lendable assets and NAV and the value of CFDs as a proportion of the Fund's NAV, as at 28 February 2021 and the returns earned for the year ended 28 February 2021. Total lendable assets represents the aggregate value of assets forming part of the Fund's securities lending programme. This excludes any assets held by the Fund that are not considered lendable due to any market, regulatory, investment or other restriction. The value of CFDs is based on the underlying exposure value on a gross absolute basis as disclosed in the Fund's Portfolio Statement.

Securities on loan		CFDs	
% of lendable assets	% of NAV	% of NAV	Returns earned £000's
1.80	0.08	98.24	568

The total income earned from securities lending transactions is split between the relevant Fund and the Stock Lending Agent. The Fund receives 62.5% while the Stock Lending Agent receives 37.5% of such income, with all operational costs borne out of the Stock Lending Agent's share. Income earned during the year by the Fund from securities lending transactions is disclosed in the notes to the financial statements.

All returns and costs from CFDs will accrue to the Fund and are not subject to any returns or cost sharing arrangements with the Fund's Manager or any other third parties.

The following table details the underlying exposure value on a gross absolute basis for CFDs, analysed by counterparty as at 28 February 2021:

Counterparty	Counterparty's country of establishment	CFDs Underlying exposure £000's
Deutsche Bank AG	Germany	44,556
HSBC Bank Plc	UK	48,266
J.P. Morgan Securities Plc	UK	119,980
Total		**212,802**

All securities on loan and CFDs have an open maturity tenor as they are recallable or terminable on a daily basis.

Collateral

The Fund engages in activities which may require collateral to be provided to a counterparty ("collateral posted") or may hold collateral received ("collateral received") from a counterparty.

The following table provides an analysis by currency of the underlying cash and non-cash collateral received/posted by way of title transfer collateral arrangement by the Fund, in respect of securities lending transactions and OTC FDIs (including CFDs), as at 28 February 2021.

Currency	Cash collateral received £000's	Cash collateral posted £000's	Non-cash collateral received £000's	Non-cash collateral posted £000's
Securities lending transactions				
CHF	–	–	10	–
CNY	–	–	21	–
EUR	–	–	35	–
GBP	–	–	29	–
HKD	–	–	1	–
JPY	–	–	10	–
USD	–	–	83	–
Total	**–**	**–**	**189**	**–**
OTC FDIs				
GBP	–	5,570	–	–
	–	**5,570**	**–**	**–**
Total	**–**	**5,570**	**189**	**–**

All cash posted as collateral has an open maturity tenor as it's not subject to a contractual maturity date.

Non-cash collateral received by way of title transfer collateral arrangement in relation to securities lending transactions and OTC FDIs cannot be sold, re-invested or pledged.

The following table provides an analysis of the type, quality and maturity tenor of non-cash collateral received/posted by the Fund by way of title transfer collateral arrangement in respect of securities lending transactions and OTC FDIs (including CFDs), as at 28 February 2021.

Collateral type and quality	Maturity Tenor 1 - 7 days £000's	8 - 30 days £000's	31 - 90 days £000's	91 - 365 days £000's	More than 365 days £000's	Open transactions £000's	Total £000's
Collateral received - securities lending							
Fixed income							
Investment grade	–	–	–	–	3	–	**3**
Equities							
Recognised equity index	–	–	–	–	–	186	**186**
Total	**–**	**–**	**–**	**–**	**3**	**186**	**189**

Investment grade securities are those issued by an entity with a minimum investment grade credit rating from at least one globally recognised credit rating agency; Standard & Poor's, Moody's or Fitch.

A recognised equity index contains at least 20 equities where no single equity represents more than 20% of the total index and no five equities combined represent more than 60% of the total index.

The maturity tenor analysis for fixed income securities received as collateral is based on the respective contractual maturity date, while for equity securities received as collateral are presented as open transactions as they are not subject to a contractual maturity date.

As at 28 February 2021, all non-cash collateral received by the Fund in respect of securities lending transactions and OTC FDI (including CFDs) is held by the Fund's Trustee (or through its delegates).

The following table lists the top ten issuers (or all the issuers if less than ten) by value of non-cash collateral received by the Fund by way of the title transfer collateral arrangement across securities lending transactions and OTC FDIs as at 28 February 2021.

Issuer	Value £000's	% of the Fund's NAV
UBS AG	189	0.08
Total	**189**	**0.08**

No securities collateral received from a single issuer, in relation to efficient portfolio management and OTC FDIs, has exceeded 20% of the Fund's NAV at the year end date.

The Fund has not been fully collateralised in securities issued or guaranteed by an EU member state at the year end date.

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