

**BlackRock**



**Annual report and audited  
financial statements**

BlackRock UK Special Situations Fund

For the financial year ended 28 February 2021

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

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

\* Non-executive Director.

# About the Fund

BlackRock UK Special Situations Fund (the “Fund”) is a UCITS scheme under the COLL Sourcebook. The Fund was established on 27 January 1981. The name of the Fund was changed to Mercury Recovery Fund (from Mercury Income and Recovery Fund) in February 1984, to Merrill Lynch Recovery Fund on 30 September 2000, to Merrill Lynch UK Value Fund on 10 September 2001 and to Merrill Lynch UK Special Situations Fund on 1 September 2004. The Fund changed its investment objective on 1 October 2006. The Fund adopted its present name with effect from 28 April 2008. The Fund’s FCA product reference number is 108425.

## 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 Manager

As at 28 February 2021, the Fund Manager of the Fund is Roland Arnold.

## 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 Corrigan 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	<b>6</b>	7
A Accumulation	1	2	3	4	5	<b>6</b>	7
X Income	1	2	3	4	5	<b>6</b>	7
X Accumulation	1	2	3	4	5	<b>6</b>	7
D Income	1	2	3	4	5	<b>6</b>	7
D Accumulation	1	2	3	4	5	<b>6</b>	7
S Income	1	2	3	4	5	<b>6</b>	7
S Accumulation	1	2	3	4	5	<b>6</b>	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.

For more information on this, please see the Fund's Key Investor Information Documents ("KIIDs"), which are available at [www.blackrock.com](http://www.blackrock.com).

# Investment Report

for the year ended 28 February 2021

## Investment Objective

The aim of the Fund is to provide a return on your investment (generated through an increase in the value of the assets held by the Fund) (gross of fees) over the long term (5 or more consecutive years beginning at the point of investment) by investing in shares of companies incorporated or listed in the UK.

Comparator benchmark	Investment management approach
IA UK All Companies Sector Index	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	6.48	8.10

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.

## Investment Report continued

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 active return was (1.62)%, underperforming its comparator benchmark (active return is the difference between the Fund's return and the comparator benchmark return).

2020 was predominantly dominated by a single issue, the global COVID-19 pandemic. The outbreak of the virus caused one of the most rapid falls in equity markets ever witnessed, as investors became concerned over the potential impact on the global economy. Virus case numbers rose and fell in waves throughout the period as countries globally entered into lockdowns of varying degrees, resulting in a slowdown in global economic activity. Later in the period equity markets rebounded as the approval and subsequent deployment of several vaccines gave hope that economic activity would soon resume. December finally delivered positive progress on Brexit, with an agreement on trade terms for goods providing a much needed boost for UK equities.

The main drivers of underperformance have been our holdings in businesses which were worst impacted by lockdowns/social restrictions throughout the year, and in some cases were mandated to suspend operations, resulting in these companies generating zero or close to zero revenues. In many cases these companies are heavily exposed to consumer discretionary spend, which has clearly suffered during the period. Some of the largest detractors during the period were therefore exhibitions business Hyve, flexible office space provider Workspace and retailer WH Smith.

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

Largest Contributors		Largest Detractors	
Stock	Effect on Fund return	Stock	Effect on Fund return
Watches of Switzerland <sup>#</sup>	1.46%	BHP <sup>^</sup>	(0.98)%
HSBC <sup>^</sup>	1.14%	Hyve <sup>#</sup>	(0.74)%
Unilever <sup>^</sup>	0.91%	Workspace <sup>#</sup>	(0.73)%
Impax Asset Management <sup>#</sup>	0.91%	WH Smith <sup>#</sup>	(0.68)%
Rio Tinto <sup>#</sup>	0.82%	Anglo American <sup>^</sup>	(0.63)%

<sup>#</sup> Overweight position - holds more exposure than the benchmark.

<sup>^</sup> Underweight position - holds less exposure than the benchmark.

The theme of mandated closures and social restrictions impacting consumer related businesses has been a key driver of underperformance during the year. Exhibitions business Hyve has seen its share price fall due to travel restrictions and lockdown measures resulting in major disruption to a number of the company's scheduled events during 2020. Flexible office space provider Workspace faced similar challenges as the business saw a significant slowdown in enquiries and rents received as a result of the COVID-19 pandemic. The largest positive contributor to performance was Watches of Switzerland, which despite being is a retailer that has continued to trade extremely well despite lockdowns as the company has innovated and adapted to meet consumer demand through transitioning a large proportion of its sales to online channels.



## Investment Report continued

The following table details the significant active positions, where the Fund is overweight (holds more exposure than the comparator benchmark) and underweight (holds less exposure than the comparator benchmark), at 28 February 2021 and 29 February 2020:

Top overweight positions			
28 February 2021		29 February 2020	
Sector	Weighting	Sector	Weighting
Consumer Discretionary	18.97%	Consumer Discretionary	16.61%
Industrials	8.12%	Industrials	7.97%
Technology	2.46%	Real Estate	3.55%

Top underweight positions			
28 February 2021		29 February 2020	
Sector	Weighting	Sector	Weighting
Consumer Staples	(11.53)%	Consumer Staples	(11.60)%
Financials	(9.98)%	Financials	(6.64)%
Health Care	(3.11)%	Energy	(6.44)%

Where the Fund is underweight to a sector, the return from such sector will have an opposite effect on the Fund's active return. This may result in a sector being listed as a contributor/detractor but not listed on the Fund's Portfolio Statement

Portfolio positioning remains a result of stock selection. In recent months we have been taking steps to add to areas of the market that should benefit from the reopening of economies and therefore an uptick in economic activity, for example Melrose and Jet2. We are also seeing an increase in IPO (initial public offering) activity and have taken advantage by purchasing new holdings in Dr Martens and Moonpig.

# 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
<b>Change in net assets per unit</b>						
Opening net asset value per unit	2,529	2,368	2,446	4,559	4,219	4,314
Return before operating charges	163.3	233.5	(11.15)	294.8	418.1	(22.24)
Operating charges	(38.81)	(43.49)	(41.14)	(70.09)	(77.93)	(72.88)
Return after operating charges	124.5	190.0	(52.29)	224.7	340.1	(95.12)
Distributions	(10.34)	(28.67)	(25.86)	(18.58)	(51.11)	(46.04)
Retained distributions on accumulation units	N/A	N/A	N/A	18.58	51.11	46.04
<b>Closing net asset value per unit</b>						
After direct transaction costs of	(11.29)	(4.50)	(3.30)	(20.39)	(8.07)	(5.85)
<b>Performance</b>						
Return after charges <sup>1</sup>	4.92%	8.02%	(2.14)%	4.93%	8.06%	(2.20)%
<b>Other information</b>						
Closing net asset value (£000's)	15,196	20,542	23,268	258,088	289,483	297,422
Closing number of units	574,916	812,142	982,646	5,395,190	6,349,538	7,049,791
Operating charges <sup>2</sup>	1.67%	1.67%	1.67%	1.67%	1.67%	1.67%
Direct transaction costs <sup>3</sup>	0.49%	0.17%	0.13%	0.49%	0.17%	0.13%
<b>Prices</b>						
Highest offer unit price	2,880	3,044	2,839	5,212	5,483	5,007
Lowest bid unit price	1,705	2,380	2,145	3,073	4,241	3,817

<sup>1</sup> 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).

<sup>2</sup> 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).

<sup>3</sup> Direct transaction costs are annualised and principally comprise commissions and taxes, attributable to the Fund's purchase and sale of equity instruments. See note 12 for further details.

# Performance Record continued

## Comparative Table continued

	X Income Units			X 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	Since inception <sup>^</sup> to 28.2.2019
	Pence per unit	Pence per unit	Pence per unit	Pence per unit	Pence per unit	Pence per unit
<b>Change in net assets per unit</b>						
Opening net asset value per unit	2,493	2,327	2,406	100.5	91.53	100.0
Return before operating charges	172.3	239.7	18.49	6.73	9.01	(8.46)
Operating charges	(0.46)	(0.51)	(0.49)	(0.02)	(0.02)	(0.01)
Return after operating charges	171.8	238.5	18.00	6.71	8.99	(8.47)
Distributions	(58.25)	(72.01)	(96.64)	(1.94)	(2.77)	(0.89)
Retained distributions on accumulation units	N/A	N/A	N/A	1.94	2.77	0.89
<b>Closing net asset value per unit</b>						
After direct transaction costs of	(11.18)	(4.45)	(3.28)	(0.45)	(0.18)	(0.07)
<b>Performance</b>						
Return after charges <sup>1</sup>	6.89%	10.23%	0.75%	6.68%	9.82%	(8.47)%
<b>Other information</b>						
Closing net asset value (£000's)	3	3	2	10,405	11,061	10,653
Closing number of units	102	102	102	9,705,097	11,003,211	11,639,611
Operating charges <sup>2</sup>	0.02%	0.00%	0.02%	0.02%	0.02%	0.02%
Direct transaction costs <sup>3</sup>	0.49%	0.17%	0.13%	0.49%	0.17%	0.25%
<b>Prices</b>						
Highest offer unit price	2,724	2,876	2,677	111.2	114.9	101.6
Lowest bid unit price	1,682	2,342	2,150	67.88	92.10	82.59

<sup>1</sup> 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).

<sup>2</sup> 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).

<sup>3</sup> Direct transaction costs are annualised and principally comprise commissions and taxes, attributable to the Fund's purchase and sale of equity instruments. See note 12 for further details.

<sup>^</sup> The date of commencement of operations.

# Performance Record continued

## Comparative Table continued

	D Income 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
<b>Change in net assets per unit</b>						
Opening net asset value per unit	2,536	2,374	2,452	4,909	4,509	4,576
Return before operating charges	163.9	234.1	(10.46)	322.4	446.1	(24.57)
Operating charges	(21.47)	(24.07)	(22.77)	(41.74)	(46.06)	(42.74)
Return after operating charges	142.4	210.1	(33.23)	280.7	400.1	(67.31)
Distributions	(27.94)	(48.51)	(44.81)	(54.23)	(92.38)	(83.93)
Retained distributions on accumulation units	N/A	N/A	N/A	54.23	92.38	83.93
<b>Closing net asset value per unit</b>						
After direct transaction costs of	(11.34)	(4.53)	(3.32)	(22.04)	(8.66)	(6.23)
<b>Performance</b>						
Return after charges <sup>1</sup>	5.62%	8.85%	(1.36)%	5.72%	8.87%	(1.47)%
<b>Other information</b>						
Closing net asset value (£000's)	41,515	41,860	44,237	178,920	157,765	159,992
Closing number of units	1,566,327	1,650,924	1,863,415	3,447,620	3,213,734	3,548,518
Operating charges <sup>2</sup>	0.92%	0.92%	0.92%	0.92%	0.92%	0.92%
Direct transaction costs <sup>3</sup>	0.49%	0.17%	0.13%	0.49%	0.17%	0.13%
<b>Prices</b>						
Highest offer unit price	2,760	2,915	2,718	5,384	5,618	5,072
Lowest bid unit price	1,710	2,388	2,156	3,311	4,535	4,074

<sup>1</sup> 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).

<sup>2</sup> 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).

<sup>3</sup> Direct transaction costs are annualised and principally comprise commissions and taxes, attributable to the Fund's purchase and sale of equity instruments. See note 12 for further details.

# Performance Record continued

## 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 <sup>^</sup> 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
<b>Change in net assets per unit</b>						
Opening net asset value per unit	126.1	118.1	121.9	139.1	127.6	129.4
Return before operating charges	8.17	11.61	(0.48)	9.09	12.64	(0.70)
Operating charges	(0.98)	(1.09)	(1.03)	(1.08)	(1.19)	(1.10)
Return after operating charges	7.19	10.52	(1.51)	8.01	11.45	(1.80)
Distributions	(1.48)	(2.52)	(2.33)	(1.64)	(2.73)	(2.48)
Retained distributions on accumulation units	N/A	N/A	N/A	1.64	2.73	2.48
<b>Closing net asset value per unit</b>						
After direct transaction costs of	(0.56)	(0.23)	(0.17)	(0.62)	(0.25)	(0.18)
<b>Performance</b>						
Return after charges <sup>1</sup>	5.70%	8.91%	(1.24)%	5.76%	8.97%	(1.39)%
<b>Other information</b>						
Closing net asset value (£000's)	11,938	12,688	13,013	62,526	63,825	64,964
Closing number of units	9,056,855	10,062,984	11,022,695	42,502,234	45,902,343	50,912,028
Operating charges <sup>2</sup>	0.84%	0.84%	0.84%	0.84%	0.84%	0.84%
Direct transaction costs <sup>3</sup>	0.49%	0.17%	0.13%	0.49%	0.17%	0.13%
<b>Prices</b>						
Highest offer unit price	144.1	152.3	142.0	160.2	167.1	150.7
Lowest bid unit price	85.03	118.8	107.2	93.78	128.3	115.3

<sup>1</sup> 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).

<sup>2</sup> 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).

<sup>3</sup> Direct transaction costs are annualised and principally comprise commissions and taxes, attributable to the Fund's purchase and sale of equity instruments. See note 12 for further details.

# 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

	A Income Units		A Accumulation Units		X Income Units		X Accumulation Units	
	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2
Net revenue (dividend)	0.3995	0.3995	0.7358	0.7358	20.3098	20.3098	0.8239	0.3404
Equalisation†	–	0.0000	–	0.0000	–	0.0000	–	0.4835
<b>Distribution paid 30.4.2021</b>	<b>0.3995</b>	<b>0.3995</b>	<b>0.7358</b>	<b>0.7358</b>	<b>20.3098</b>	<b>20.3098</b>	<b>0.8239</b>	<b>0.8239</b>
<b>Distribution paid 30.4.2020</b>	<b>0.4380</b>	<b>0.4380</b>	<b>0.8066</b>	<b>0.8066</b>	<b>22.0375</b>	<b>22.0375</b>	<b>0.8807</b>	<b>0.8807</b>

† 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.

	D Income Units		D Accumulation Units		S Income Units		S Accumulation Units	
	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2
Net revenue (dividend)	9.5786	5.8317	18.6957	10.0670	0.5255	0.2793	0.5839	0.3211
Equalisation†	–	3.7469	–	8.6287	–	0.2462	–	0.2628
<b>Distribution paid 30.4.2021</b>	<b>9.5786</b>	<b>9.5786</b>	<b>18.6957</b>	<b>18.6957</b>	<b>0.5255</b>	<b>0.5255</b>	<b>0.5839</b>	<b>0.5839</b>
<b>Distribution paid 30.4.2020</b>	<b>10.5555</b>	<b>10.5555</b>	<b>20.3532</b>	<b>20.3532</b>	<b>0.5787</b>	<b>0.5787</b>	<b>0.6353</b>	<b>0.6353</b>

† 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.

## 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		X Income Units		X Accumulation Units	
	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2
Net revenue (dividend)	9.9413	5.1700	17.8484	7.0988	37.9398	37.9398	1.1177	0.6724
Equalisation†	–	4.7713	–	10.7496	–	0.0000	–	0.4453
<b>Distribution paid 31.10.2020</b>	<b>9.9413</b>	<b>9.9413</b>	<b>17.8484</b>	<b>17.8484</b>	<b>37.9398</b>	<b>37.9398</b>	<b>1.1177</b>	<b>1.1177</b>
<b>Distribution paid 31.10.2019</b>	<b>28.2350</b>	<b>28.2350</b>	<b>50.2985</b>	<b>50.2985</b>	<b>49.9745</b>	<b>49.9745</b>	<b>1.8936</b>	<b>1.8936</b>

	D Income Units		D Accumulation Units		S Income Units		S Accumulation Units	
	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2
Net revenue (dividend)	18.3616	8.8728	35.5326	16.6516	0.9582	0.5185	1.0558	0.5029
Equalisation†	–	9.4888	–	18.8810	–	0.4397	–	0.5529
<b>Distribution paid 31.10.2020</b>	<b>18.3616</b>	<b>18.3616</b>	<b>35.5326</b>	<b>35.5326</b>	<b>0.9582</b>	<b>0.9582</b>	<b>1.0558</b>	<b>1.0558</b>
<b>Distribution paid 31.10.2019</b>	<b>37.9536</b>	<b>37.9536</b>	<b>72.0291</b>	<b>72.0291</b>	<b>1.9383</b>	<b>1.9383</b>	<b>2.0944</b>	<b>2.0944</b>

† 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.

## Report on Remuneration continued

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](http://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.



# Report on Remuneration continued

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;

## Report on Remuneration continued

- 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.

# Report on Remuneration continued

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<sup>1</sup> and Organic Revenue Growth<sup>2</sup>. 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.

<sup>1</sup> 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.

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

## Report on Remuneration continued

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
<b>EQUITIES – 100.59%; 29.2.2020 94.49%</b>			
<b>AUSTRALIA – 1.00%; 29.2.2020 0.00%</b>			
Mining – 1.00%; 29.2.2020 0.00%	254,777 BHP	5,782	1.00
<b>BERMUDA – 0.00%; 29.2.2020 0.51%</b>			
<b>Insurance – 0.00%; 29.2.2020 0.51%</b>			
<b>GERMANY – 0.99%; 29.2.2020 1.51%</b>			
<b>Real Estate Investment &amp; Services – 0.99%; 29.2.2020 1.51%</b>			
6,230,000 Sirius Real Estate		5,757	0.99
<b>IRELAND – 3.87%; 29.2.2020 1.26%</b>			
<b>Commercial Services – 0.96%; 29.2.2020 0.00%</b>			
244,000 Experian		5,544	0.96
<b>Forest Products &amp; Paper – 0.97%; 29.2.2020 0.00%</b>			
165,000 Smurfit Kappa		5,603	0.97
<b>Retail – 1.94%; 29.2.2020 1.26%</b>			
1,135,000 Grafton		11,225	1.94
<b>JERSEY – 1.79%; 29.2.2020 1.43%</b>			
<b>Building Materials – 1.79%; 29.2.2020 1.43%</b>			
11,100,000 Breedon		10,345	1.79
<b>NETHERLANDS – 4.04%; 29.2.2020 2.98%</b>			
<b>Oil &amp; Gas Producers – 4.04%; 29.2.2020 2.98%</b>			
1,685,000 Royal Dutch Shell		23,381	4.04
<b>SWITZERLAND – 0.00%; 29.2.2020 0.68%</b>			
<b>Commercial Services – 0.00%; 29.2.2020 0.68%</b>			
<b>UNITED KINGDOM – 88.90%; 29.2.2020 85.65%</b>			
<b>Advertising – 1.26%; 29.2.2020 1.34%</b>			
480,000 Next Fifteen Communications		2,986	0.52
3,292,030 Pebble		4,280	0.74
		<b>7,266</b>	<b>1.26</b>
<b>Aerospace &amp; Defence – 0.62%; 29.2.2020 0.96%</b>			
850,000 Meggitt <sup>o</sup>		3,596	0.62
<b>Agriculture – 0.00%; 29.2.2020 1.49%</b>			
<b>Airlines – 1.10%; 29.2.2020 1.09%</b>			
440,000 JET2 <sup>o</sup>		6,380	1.10
<b>Apparel – 2.77%; 29.2.2020 0.00%</b>			
3,245,064 Dr. Martens		16,011	2.77
<b>Banks – 5.98%; 29.2.2020 5.15%</b>			
6,000,000 Barclays		9,572	1.65
23,500,000 Lloyds Banking		9,165	1.58

Holding or Nominal Value	Investment	Market Value £000's	% of Total Net Assets
2,340,000 OSB		10,376	1.79
1,200,000 Standard Chartered <sup>o</sup>		5,545	0.96
		<b>34,658</b>	<b>5.98</b>
<b>Beverages – 2.81%; 29.2.2020 2.18%</b>			
150,000 Fevertree Drinks <sup>o</sup>		3,419	0.59
830,000 Fuller Smith & Turner		7,171	1.24
390,000 Young & Co's Brewery		5,674	0.98
		<b>16,264</b>	<b>2.81</b>
<b>Building Materials – 0.74%; 29.2.2020 0.00%</b>			
630,000 Marshalls		4,290	0.74
<b>Commercial Services – 12.32%; 29.2.2020 14.18%</b>			
314,000 4imprint		7,646	1.32
228,000 Ashtead		8,846	1.53
4,750,000 Calisen		12,383	2.14
710,000 Clipper Logistics		4,189	0.72
3,000,000 QinetiQ		8,964	1.55
540,000 RELX		9,137	1.58
1,300,000 Robert Walters		6,890	1.19
350,000 Savills		4,043	0.70
977,119 YouGov		9,185	1.59
		<b>71,283</b>	<b>12.32</b>
<b>Computers – 2.67%; 29.2.2020 4.16%</b>			
140,000 Computacenter		2,920	0.50
780,000 GB		6,443	1.11
4,725,000 Serco		6,142	1.06
		<b>15,505</b>	<b>2.67</b>
<b>Distribution &amp; Wholesale – 0.00%; 29.2.2020 1.64%</b>			
<b>Diversified Financial Services – 5.83%; 29.2.2020 8.84%</b>			
1,175,000 Ashmore <sup>o</sup>		4,846	0.84
335,000 Close Brothers		5,209	0.90
1,150,000 Impax Asset Management		8,372	1.45
1,800,000 IntegraFin		8,982	1.55
499,681 Liontrust Asset Management		6,296	1.09
		<b>33,705</b>	<b>5.83</b>
<b>Electronics – 3.34%; 29.2.2020 1.43%</b>			
430,000 Oxford Instruments		7,706	1.33
60,000 Renishaw <sup>o</sup>		3,438	0.59
270,000 Spectris		8,192	1.42
		<b>19,336</b>	<b>3.34</b>
<b>Engineering &amp; Construction – 2.81%; 29.2.2020 2.88%</b>			
2,300,000 Balfour Beatty		6,334	1.09
955,000 HomeServe		9,942	1.72
		<b>16,276</b>	<b>2.81</b>

# Portfolio Statement continued

Holding or Nominal Value	Investment	Market Value £000's	% of Total Net Assets
<b>Food Producers – 0.65%; 29.2.2020 2.46%</b>			
180,000	Greggs	3,751	0.65
<b>Food Services – 0.00%; 29.2.2020 1.32%</b>			
<b>Healthcare Products – 0.57%; 29.2.2020 1.96%</b>			
240,000	Smith & Nephew	3,325	0.57
<b>Home Builders – 2.60%; 29.2.2020 1.87%</b>			
285,000	Bellway	8,003	1.38
1,300,000	Redrow	7,052	1.22
		<b>15,055</b>	<b>2.60</b>
<b>Household Products – 2.28%; 29.2.2020 0.00%</b>			
220,000	Reckitt Benckiser	13,200	2.28
<b>Insurance – 0.04%; 29.2.2020 1.95%</b>			
33,354	Lancashire	205	0.04
<b>Internet – 2.03%; 29.2.2020 2.58%</b>			
554,003	Auction Technology	4,321	0.75
1,650,000	Moonpig	7,425	1.28
		<b>11,746</b>	<b>2.03</b>
<b>Investment Companies – 0.79%; 29.2.2020 0.75%</b>			
2,750,000	Melrose Industries	4,561	0.79
<b>Leisure Time – 0.00%; 29.2.2020 0.00%</b>			
772,401	Patisserie <sup>1</sup>	–	0.00
<b>Lodging – 0.63%; 29.2.2020 0.00%</b>			
107,000	Whitbread	3,633	0.63
<b>Machinery Construction &amp; Mining – 1.44%; 29.2.2020 0.00%</b>			
420,000	Weir	8,324	1.44
<b>Machinery Diversified – 0.00%; 29.2.2020 1.12%</b>			
<b>Media – 0.00%; 29.2.2020 0.46%</b>			
<b>Metal &amp; Hardware – 0.85%; 29.2.2020 0.78%</b>			
680,000	Bodycote	4,913	0.85
<b>Mining – 6.34%; 29.2.2020 4.49%</b>			
3,400,000	Central Asia Metals	8,194	1.42
460,000	Rio Tinto	28,460	4.92
		<b>36,654</b>	<b>6.34</b>
<b>Miscellaneous Manufacturing – 1.06%; 29.2.2020 0.00%</b>			
100,000	Avon Rubber <sup>2</sup>	2,800	0.48
144,000	Diploma	3,338	0.58
		<b>6,138</b>	<b>1.06</b>

Holding or Nominal Value	Investment	Market Value £000's	% of Total Net Assets
<b>Oil &amp; Gas Producers – 2.75%; 29.2.2020 0.63%</b>			
5,450,000	BP	15,900	2.75
<b>Pharmaceuticals – 5.27%; 29.2.2020 1.57%</b>			
276,000	AstraZeneca	19,163	3.31
216,177	CVS	3,673	0.63
135,000	Dechra Pharmaceuticals	4,631	0.80
257,996	Ergomed	3,070	0.53
		<b>30,537</b>	<b>5.27</b>
<b>Private Equity – 1.89%; 29.2.2020 1.73%</b>			
680,000	Draper Esprit	5,712	0.99
300,000	Intermediate Capital	5,193	0.90
		<b>10,905</b>	<b>1.89</b>
<b>Real Estate Investment &amp; Services – 0.00%; 29.2.2020 1.20%</b>			
<b>Real Estate Investment Trusts – 1.75%; 29.2.2020 3.02%</b>			
2,900,000	Warehouse Reit	3,683	0.64
840,000	Workspace	6,426	1.11
		<b>10,109</b>	<b>1.75</b>
<b>Retail – 8.31%; 29.2.2020 7.74%</b>			
658,960	B&M European Value Retail	3,601	0.62
730,000	JD Sports Fashion	6,060	1.05
2,712,731	Joules	5,073	0.88
123,000	Next	9,299	1.61
2,222,365	Pets at Home	8,765	1.51
2,390,000	Watches of Switzerland	15,248	2.64
		<b>48,046</b>	<b>8.31</b>
<b>Software – 3.23%; 29.2.2020 2.27%</b>			
110,000	Aveva	3,735	0.65
4,400,000	Learning Technologies	7,194	1.24
1,095,000	Team17	7,774	1.34
		<b>18,703</b>	<b>3.23</b>
<b>Telecommunications – 1.92%; 29.2.2020 0.63%</b>			
800,000	accesso Technology	4,320	0.75
450,000	Gamma Communications	6,795	1.17
		<b>11,115</b>	<b>1.92</b>
<b>Toys, Games &amp; Hobbies – 2.25%; 29.2.2020 1.01%</b>			
136,000	Games Workshop	12,995	2.25
<b>Transportation – 0.00%; 29.2.2020 0.77%</b>			

# Portfolio Statement continued

Holding or Nominal Value	Investment	Market Value £000's	% of Total Net Assets
<b>UNITED STATES OF AMERICA – 0.00%; 29.2.2020 0.47%</b>			
<b>Oil &amp; Gas Producers – 0.00%; 29.2.2020 0.47%</b>			
<b>COLLECTIVE INVESTMENT SCHEMES – 1.00%; 29.2.2020 5.23%</b>			
<b>Short-term Money Market Funds – 1.00%; 29.2.2020 5.23%</b>			
57,941	BlackRock ICS Sterling Liquid Environmentally Aware Fund <sup>†</sup>	<b>5,795</b>	<b>1.00</b>
<b>Portfolio of investments</b>		<b>587,817</b>	<b>101.59</b>
Net other liabilities		(9,226)	(1.59)
<b>Total net assets</b>		<b>578,591</b>	<b>100.00</b>

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

<sup>1</sup> Illiquid Security Fair Valued by the Manager.

<sup>0</sup> All or a portion of this investment represents a security on loan, see note 2(b) iii) for further details.

<sup>†</sup> 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 gains	3		22,045		40,323
Revenue	4	11,528		17,918	
Expenses	5	(6,830)		(8,106)	
Net revenue before taxation		4,698		9,812	
Taxation	6	(176)		(53)	
Net revenue after taxation			4,522		9,759
Total return before distributions			26,567		50,082
Distributions	7		(4,523)		(9,778)
<b>Change in net assets attributable to unitholders from investment activities</b>			<b>22,044</b>		<b>40,304</b>

## 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
<b>Opening net assets attributable to unitholders</b>			597,227	613,551
Amounts receivable on issue of units	144,382			91,708
Amounts payable on cancellation of units	(188,877)			(156,407)
			(44,495)	(64,699)
Change in net assets attributable to unitholders from investment activities			22,044	40,304
Retained distribution on accumulation units			3,815	8,065
Unclaimed distributions over 6 years old			–	6
<b>Closing net assets attributable to unitholders</b>			<b>578,591</b>	<b>597,227</b>



# Balance Sheet

at 28 February 2021

	Notes	28.2.2021 £000's	29.2.2020 £000's
<b>Assets:</b>			
Fixed assets			
– Investment assets		587,817	595,583
Current assets			
– Debtors	8	4,916	4,638
– Cash and bank balances		1,182	652
<b>Total assets</b>		<b>593,915</b>	<b>600,873</b>
<b>Liabilities:</b>			
Creditors			
– Distributions payable		(200)	(267)
– Other creditors	9	(15,124)	(3,379)
<b>Total liabilities</b>		<b>(15,324)</b>	<b>(3,646)</b>
<b>Net assets attributable to unitholders</b>		<b>578,591</b>	<b>597,227</b>

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.

All REIT dividend revenue is recognised on an accruals basis.

Any reported revenue from an offshore fund with reporting status from HMRC, in excess of any distribution received in the reporting period, is recognised as revenue no later than the date on which the reporting fund makes this information available. The equalisation element is treated as capital.

All revenue is recognised as a gross amount that takes account of any withholding taxes but excludes any other taxes such as attributable tax credits.

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.

## Notes to Financial Statements continued

- (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.

Investments in dual priced CIS have been valued at market values, defined as fair value, which is usually the quoted price at close of business 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 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.

### **Distribution Policies**

- (l) The ordinary element of stock dividends is treated as revenue and forms part of the distribution.
- (m) Special dividends and share buy backs recognised as revenue form part of the distribution.
- (n) 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.

## 2. Financial Instruments and Risks continued

### 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.

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 3.74% and 3.39% 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.

### **Management of foreign currency risk**

The net assets 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.

## **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.

## Notes to Financial Statements continued

The Fund is exposed to interest rate risk on its cash and bank balances held at The Bank of New York Mellon (International) Limited and its cash equivalent holdings. 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) Trustee and Custodian**

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

All of the investments 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 depository used by the Trustee regarding cash balances held in accounts with same. In the event of insolvency or bankruptcy of the Custodian or any depository 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).

## **ii) 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.

## **iii) 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.

## Notes to Financial Statements continued

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.

Counterparty	Counterparty's country of establishment	28 February 2021		29 February 2020	
		Securities on loan	Collateral received	Securities on loan	Collateral received
		£000's	£000's	£000's	£000's
Barclays Capital Securities Limited	UK	–	–	546	562
BNP Paribas Arbitrage SNC	France	–	–	470	513
Citigroup Global Markets Limited	UK	37	41	–	–
Credit Suisse AG Dublin Branch	Ireland	149	159	959	1,010
Credit Suisse International	UK	1,685	1,893	–	–
Deutsche Bank AG	Germany	2,777	3,107	2,439	2,669
Merrill Lynch International	UK	–	–	567	624
Société Générale SA	France	188	208	–	–
The Bank of Nova Scotia	Canada	–	–	7,030	7,722
UBS AG	Switzerland	2,664	2,999	8,147	8,885
<b>Total</b>		<b>7,500</b>	<b>8,407</b>	<b>20,158</b>	<b>21,985</b>

At 28 February 2021, collateral received from these borrowing counterparties comprised of 1.19% in debt securities and 98.81% in equity securities (29 February 2020: 10.81% in debt securities and 89.19% 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.

## (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.



# Notes to Financial Statements continued

The Fund invests primarily in companies incorporated or listed in the United Kingdom, which is typically considered to be a territory operating with high levels of liquidity. From time to time, however, market liquidity may be affected by economic events.

All 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.

## Notes to Financial Statements continued

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
<b>28 February 2021</b>				
Investment assets	582,022	5,795	— <sup>#</sup>	<b>587,817</b>
Investment liabilities	—	—	—	—
<b>29 February 2020</b>				
Investment assets	559,688	35,895	— <sup>#</sup>	<b>595,583</b>
Investment liabilities	—	—	—	—

<sup>#</sup> Includes illiquid securities fair valued at zero by the Manager. These securities are identified on the Fund's Portfolio Statement.

### (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 a methodology known as the Commitment Approach in order to measure the global exposure of the Fund. The Commitment Approach is a methodology that aggregates the underlying market or notional values of FDIs to determine the degree of global exposure of the Fund to FDIs. In accordance with the COLL Sourcebook, global exposure for a fund utilising the Commitment Approach must not exceed 100% of the Fund's NAV. The calculation of global exposure represents only one element of the Fund's risk management process and in that respect the Manager will continue to report VaR as a market risk measure to the Board of Directors.

The Fund did not hold any FDIs at 28 February 2021 and 29 February 2020.

## Notes to Financial Statements continued

### 3. Net Capital Gains

	For the year to 28.2.2021 £000's	For the year to 29.2.2020 £000's
The net capital gains comprise:		
Gains on non-derivative securities	22,119	40,348
Currency losses	(60)	(8)
Custodian transaction costs	(14)	(17)
<b>Net capital gains</b>	<b>22,045</b>	<b>40,323</b>

### 4. Revenue

	For the year to 28.2.2021 £000's	For the year to 29.2.2020 £000's
Interest from UK bank deposits	–	6
Overseas dividends	1,226	1,061
Revenue from short-term money market funds	28	202
Securities lending revenue	12	24
Stock dividends	163	177
UK dividends	9,656	15,830
UK REIT dividends	443	618
<b>Total revenue</b>	<b>11,528</b>	<b>17,918</b>

### 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	789	928
– Manager's charge	5,944	7,076
	6,733	8,004
Other expenses:		
– Audit fee	7	8
– Legal and other professional fees	4	–
– Safe custody fees	14	14
– Trustee's fees	72	80
	97	102
<b>Total expenses</b>	<b>6,830</b>	<b>8,106</b>

## Notes to Financial Statements continued

### 6. Taxation

#### (a) Analysis of tax charge

	For the year to 28.2.2021 £000's	For the year to 29.2.2020 £000's
Overseas tax	176	53
<b>Total tax charge [see note 6(b)]</b>	<b>176</b>	<b>53</b>

#### (b) Factors affecting the tax charge

The tax assessed for the year is lower 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 revenue before taxation	4,698	9,812
Corporation tax at 20% (29 February 2020: 20%)	940	1,962
Effects of:		
Movement in unrecognised excess management expenses	1,261	1,452
Overseas tax	176	53
Prior year adjustment to excess management expenses	8	–
Revenue not subject to tax	(2,209)	(3,414)
<b>Total tax charge [see note 6(a)]</b>	<b>176</b>	<b>53</b>

At 29 February 2020, the Fund had surplus management expenses of £220,996,000 (29 February 2020: £214,668,000.) 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 £44,199,000 (29 February 2020: £42,934,000) has not been recognised.

# Notes to Financial Statements continued

## 7. Distributions

	For the year to 28.2.2021 £000's	For the year to 29.2.2020 £000's
Interim distribution	3,259	7,856
Final distribution	1,212	1,574
	4,471	9,430
Add: Amounts deducted on cancellation of units	266	660
Less: Amounts received on issue of units	(214)	(312)
<b>Distributions</b>	<b>4,523</b>	<b>9,778</b>
The distributable amount has been calculated as follows:		
Net revenue after taxation	4,522	9,759
Add: Equalisation on conversions	1	19
<b>Distributions</b>	<b>4,523</b>	<b>9,778</b>

Details of the interim and final distributions per unit are set out in the tables on page 13.

## 8. Debtors

	28.2.2021 £000's	29.2.2020 £000's
Accrued revenue	975	996
Amounts receivable for issue of units	487	3,430
Overseas tax recoverable	69	–
Sales awaiting settlement	3,385	212
<b>Total debtors</b>	<b>4,916</b>	<b>4,638</b>

## 9. Other Creditors

	28.2.2021 £000's	29.2.2020 £000's
Accrued Annual service charge	264	388
Accrued Audit fee	7	7
Accrued Manager's charge	2,024	1,223
Accrued Safe custody fees	6	3
Accrued Trustee's fee	24	12
Amounts payable for cancellation of units	1,044	1,404
Custodian transaction costs	3	2
Purchases awaiting settlement	11,752	340
<b>Total other creditors</b>	<b>15,124</b>	<b>3,379</b>

## 10. Contingent Assets and Liabilities

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

## 11. 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 7.

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.

# Notes to Financial Statements continued

## 12. Portfolio Transaction Costs

For the year ended 28 February 2021

	Direct Transaction Costs				
	Transaction Value £000's	Commissions £000's	%	Taxes £000's	%
<b>Purchases (excluding derivatives)</b>					
Equity instruments	487,537	279	0.06	1,994	0.41
<b>Total purchases</b>	<b>487,537</b>	<b>279</b>		<b>1,994</b>	
<b>Total purchases including transaction costs</b>	<b>489,810</b>				

  

	Direct Transaction Costs				
	Transaction Value £000's	Commissions £000's	%	Taxes £000's	%
<b>Sales (excluding derivatives)</b>					
Equity instruments	497,141	332	0.07	1	0.00
<b>Total sales</b>	<b>497,141</b>	<b>332</b>		<b>1</b>	
<b>Total sales net of transaction costs</b>	<b>496,808</b>				
<b>Total transaction costs</b>		<b>611</b>		<b>1,995</b>	
<b>Total transaction costs as a % of average net assets</b>		<b>0.12%</b>		<b>0.37%</b>	

For the year ended 29 February 2020

	Direct Transaction Costs				
	Transaction Value £000's	Commissions £000's	%	Taxes £000's	%
<b>Purchases (excluding derivatives)</b>					
Equity instruments	207,905	123	0.06	794	0.38
<b>Total purchases</b>	<b>207,905</b>	<b>123</b>		<b>794</b>	
<b>Total purchases including transaction costs</b>	<b>208,822</b>				

  

	Direct Transaction Costs				
	Transaction Value £000's	Commissions £000's	%	Taxes £000's	%
<b>Sales (excluding derivatives)</b>					
Equity instruments	266,843	173	0.06	1	0.00
<b>Total sales</b>	<b>266,843</b>	<b>173</b>		<b>1</b>	
<b>Total sales net of transaction costs</b>	<b>266,669</b>				
<b>Total transaction costs</b>		<b>296</b>		<b>795</b>	
<b>Total transaction costs as a % of average net assets</b>		<b>0.05%</b>		<b>0.12%</b>	

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.

## Notes to Financial Statements continued

### 12. Portfolio Transaction Costs continued

Transactions in money market instruments to manage the Fund's daily liquidity position are excluded from the analysis.

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.

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 0.34% (29 February 2020: 0.41%).

### 13. 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	X Income Units	X Accumulation Units
Balance at the beginning of the year	812,142	6,349,538	102	11,003,211
Issued during the year	330,288	1,150,129	–	2,505,759
Cancelled during the year	(562,328)	(2,090,201)	–	(3,803,873)
Converted during the year	(5,186)	(14,276)	–	–
<b>Balance at the end of the year</b>	<b>574,916</b>	<b>5,395,190</b>	<b>102</b>	<b>9,705,097</b>

  

	D Income Units	D Accumulation Units	S Income Units	S Accumulation Units
Balance at the beginning of the year	1,650,924	3,213,734	10,062,984	45,902,343
Issued during the year	636,556	1,487,003	1,004,308	7,250,877
Cancelled during the year	(725,235)	(1,266,021)	(2,035,863)	(10,658,859)
Converted during the year	4,082	12,904	25,426	7,873
<b>Balance at the end of the year</b>	<b>1,566,327</b>	<b>3,447,620</b>	<b>9,056,855</b>	<b>42,502,234</b>

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.

### 14. 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 revenue and net gains 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 Depository 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

## **Independent Auditor's Report to the Unitholders of BlackRock UK Special Situations Fund**

### **Opinion**

We have audited the financial statements of BlackRock UK Special Situations Fund ("the Fund") for the year ended 28 February 2021, which comprise the Statement of Total Return, 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 25 to 26, 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 revenue and the net capital gains 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.

### **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' 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.

## **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 40, 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.

## **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 a fraud risk with respect to the incomplete or inaccurate income recognition through incorrect classification of special dividends and the resulting impact to amounts available for distribution. 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. 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 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.



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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, the Prospectus, as amended from time to time, and the ESMA Guidelines, employ techniques and instruments relating to transferable securities. These include repurchases/reverse repurchase transactions (“repo transactions”) and securities lending, provided that such techniques and instruments are used for efficient portfolio management purposes.

## Securities Lending

The total value of securities on loan as a proportion of the Fund’s NAV and total lendable assets, as at the Balance Sheet date, is 1.30% and 1.39% respectively. 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 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.

The value of securities on loan and associated collateral analysed by counterparty, as at 28 February 2021, is disclosed in the notes to the financial statements.

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



## Supplementary Information continued

### 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, 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
<b>Securities lending transactions</b>				
AUD	–	–	2	–
CAD	–	–	22	–
CHF	–	–	186	–
CNY	–	–	385	–
DKK	–	–	17	–
EUR	–	–	1,535	–
GBP	–	–	616	–
HKD	–	–	39	–
JPY	–	–	346	–
SEK	–	–	11	–
USD	–	–	5,248	–
<b>Total</b>	<b>–</b>	<b>–</b>	<b>8,407</b>	<b>–</b>

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

## Supplementary Information continued

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, as at 28 February 2021.

Collateral type and quality	Maturity Tenor					Open transactions	Total
	1 - 7 days	8 - 30 days	31 - 90 days	91 - 365 days	More than 365 days		
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>Collateral received - securities lending</b>							
<b>Fixed income</b>							
Investment grade	–	–	21	3	76	–	<b>100</b>
<b>Equities</b>							
Recognised equity index	–	–	–	–	–	8,045	<b>8,045</b>
<b>ETFs</b>							
Non-UCITS	–	–	–	–	–	262	<b>262</b>
<b>Total</b>	<b>–</b>	<b>–</b>	<b>21</b>	<b>3</b>	<b>76</b>	<b>8,307</b>	<b>8,407</b>

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 and ETFs 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 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 as at 28 February 2021.

Issuer	Value £000's	% of the Fund's NAV
Deutsche Bank AG	3,107	0.53
UBS AG	2,999	0.52
Credit Suisse International	1,893	0.33
Société Générale SA	208	0.03
Credit Suisse AG Dublin Branch	159	0.03
Citigroup Global Markets Limited	41	0.01
<b>Total</b>	<b>8,407</b>	<b>1.45</b>

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

## Supplementary Information continued

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

# About us

BlackRock is a premier provider of asset management, risk management, and advisory services to institutional, intermediary, and individual clients worldwide. As of 31 March 2021, the firm manages £6.34 trillion across asset classes in separate accounts, mutual funds, other pooled investment vehicles, and the industry-leading iShares® exchange-traded funds.

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## Want to know more?

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