


# **BlackRock**



## **Interim report and unaudited financial statements**

BlackRock UK Special Situations Fund

For the six months ended 31 August 2022

NM1122U-2566798-1/21

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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\*  
S Corrigan  
W I Cullen\*  
D Edgar  
B Harrison (Resigned 19 August 2022)  
A M Lawrence  
H N Mepham  
M T Zemek\*

## Trustee & Custodian

The Bank of New York Mellon (International) Limited  
160 Queen Victoria Street, London EC4V 4LA

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 requires UK fund managers to complete an annual assessment of whether their UK authorised funds provide value for investors. Our assessment considers fund-and unit class-level performance, costs and charges, and service quality, concluding with an evaluation of whether investors receive value. 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 29 October 2021 in a composite report for all funds managed by BlackRock Fund Managers Limited subject to these requirements. The next annual assessment is due for publication by the end of October 2022.

## Fund Manager

As at 31 August 2022, the Fund Manager of the Fund is Roland Arnold.

## Significant Events

### Changes in the Directors of the Manager

B Harrison resigned as a Director effective 19 August 2022.

### COVID-19

The infectious respiratory illness caused by a novel coronavirus known as COVID-19 has had a profound impact on all aspects of society over the last two years. While there is a growing consensus in developed economies that the worst of the impact is now over, there is an expectation that travel restrictions, enhanced health screenings at ports of entry and elsewhere, disruption of and delays in healthcare service preparation and delivery, cancellations, supply chain disruptions, and lower consumer demand will create ongoing challenges. While widescale vaccination programmes are now in place in many countries and are having a positive effect, the impact of COVID-19 continues to adversely affect the economies of many nations across the entire global economy and this impact may be greater where vaccination rates are lower, such as in certain emerging markets. While it is difficult to make timing predictions, it is expected that the economic effects of COVID-19 will continue to be felt for a period after the virus itself has moved from being pandemic to endemic in nature and this in turn may continue to impact investments held by the Fund.

### Russian Invasion of Ukraine

Certain financial markets have fallen during the financial period due primarily to geo-political tensions arising from Russia’s invasion of Ukraine and the impact of the subsequent range of sanctions, regulations and other measures which impaired normal trading in Russian securities. The Manager continues to monitor investment performance in line with the Fund’s investment objectives, and the operations of the Fund and the publication of net asset values are continuing.



# Investment Report

for the six months ended 31 August 2022

## 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 period ended 31 August 2022.

	Fund return %	Comparator benchmark %
Class D Accumulation Units	(8.78)	(4.65)

Further information on the performance measures and calculation methodologies used is detailed below:

- Fund return disclosed, calculated net of fees, is the performance return 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 returns are based on the NAV per unit as at close of business for reporting purposes only, for the purpose of fair comparison and presentation with the comparator benchmark close of business valuation point.
- Due to the Financial Reporting Standard 102 ("FRS 102") and SORP requirements, including the accounting policy for the valuation point at 12 noon, where the end of the accounting period end on the balance sheet date is a business day which apply to the financial statements, there may be differences between the NAV per unit as recorded in the financial statements and the NAV per unit calculated in accordance with the Prospectus.

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. 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 ("ACWI"), returned (11.21%) (in US dollar terms). However, as the pound sterling declined sharply against other influential currencies, the ACWI returned 2.38% (in GBP terms) for the six months ended 31 August 2022. Amid a slowing economic recovery, both bonds and equities were pressured (in U.S. dollar terms) by persistently high inflation (rate of increase in the prices of goods and services) and moves towards monetary policy tightening from the world's largest central banks. The Russian invasion of Ukraine drove further uncertainty and disruption in financial markets. Sanctions imposed on Russia negatively impacted businesses with ties to the region and contributed to significant volatility (market ups and downs) in some commodity prices.

The US economy faltered in the first half of 2022, contracting amid slowing growth in consumer spending and a sharp decline in business confidence. Japanese growth was modest, as supply shortages and disruptions from the Russian invasion of Ukraine weighed on production. The UK economy slowed, contracting in the three months ended June 2022 amid weakness in services output. The Eurozone posted modest growth, helped in part by an increase in household spending and a rebound in tourism.

# Investment Report continued

Economic growth was generally slow among emerging market nations as the global economy cooled. In China, the economy slowed substantially in the second quarter of 2022 following a series of strict lockdowns aimed at containing an increase in COVID-19 cases. India's economy slowed but continued to grow in the first quarter, helped by a pickup in service sector activity.

As inflation continued to rise globally, the world's largest central banks implemented different measures aimed at monetary tightening. The US Federal Reserve ("the Fed") raised interest rates four times in an effort to control inflation, including back to back 75 basis points increases in June and July 2022. The Fed also ended its bond-buying programmes and began reducing some of its accumulated bond holdings in June 2022.

The Bank of England raised interest rates four times, as inflation reached a forty-year high. Inflation also accelerated in the Eurozone and the European Central Bank ("ECB") raised interest rates in July 2022, its first rate hike since 2011. Furthermore, the ECB also signalled that it would take action to prevent significant divergence between bond yields (which move inversely to prices) of Eurozone states as interest rates rise.

Global equity performance was significantly negative in most parts of the world (in US dollar terms). Rising inflation amid supply chain constraints and tighter monetary policy from many central banks negatively impacted equities. US, European, and Asia-Pacific equities all retreated during the six month period.

Global bond prices also declined (in US dollar terms), as heightened inflation put pressure on returns. US treasuries fell amid concerns that the Fed would continue to raise interest rates due to high inflation. Long-term US Treasury yields fell below short-term yields, a signal that markets were increasingly concerned about slowing economic growth. Similarly, UK, European, and Japanese government bonds declined (in US dollar terms) for the six month period. Corporate bonds fell globally as investors became concerned about the impact of rising interest rates on companies' financing costs.

Equities in emerging markets posted a substantial decline (in US dollar terms), as the US dollar strengthened and interest rates rose. Central banks in several emerging markets, such as India, Brazil, and Mexico raised interest rates multiple times in response to heightened inflation concerns. Emerging market bond prices declined sharply, particularly following Russia's invasion of Ukraine.

The commodities markets were volatile, with energy prices rising sharply (in US dollar terms), following Russia's invasion of Ukraine before moderating late in the period on growth concerns. The price of Brent crude oil rose sharply following Russia's invasion of Ukraine, but retreated as markets stabilised, ending the six-month period nearly flat. Natural gas prices gained significantly, particularly in Europe, amid supply disruptions from Russia. Gold prices declined, as higher interest rates made non-interest-bearing investments relatively less attractive despite rising inflation, while industrial metals also generally declined.

On the foreign currencies, the US dollar rose against most other global currencies, particularly as the Fed began tightening monetary policy in 2022. The Japanese yen declined notably against the US dollar, as the Bank of Japan's relatively accommodative stance meant that interest rates rose faster in the US than in Japan. The euro, pound sterling, and Chinese yuan also weakened relative to the US dollar as investors saw the US dollar being more insulated from the geopolitical turmoil.

## Fund Performance Review and Activity

Over the six month period to 31 August 2022, the Fund's performance return was (8.78%) and the active return was (4.13%), very regrettably underperforming its comparator benchmark which returned (4.65%) (active return is the difference between the Fund's return and the comparator benchmark).

# Investment Report continued

Equity investors faced a difficult period as markets fell in response to recession fears, supply side inflation shocks, war in Europe and concerns around monetary policy. The UK market provided some relative respite, helped by its bias towards the Natural Resources sectors. Covid continued to have an impact as China enforced strict local shutdowns, compounding the global inventory problems. Central bankers raised rates as inflation surged which caused recession fears. The UK saw notable sterling weakness during the period with economic weakness compounded by political uncertainty.

As concerns around economic growth grew, market performance was led by larger US Dollar earners, with the FTSE 100's returns ahead of those from small and medium sized companies.

The Funds structural bias towards small and mid-caps (minimum of 50% of the Fund is always held in small & medium sized companies) acted as a drag to performance over the period given the outperformance of larger companies. Many of the largest detractors during the period have been small and medium sized companies that have been aggressively sold off during the period, impacted by concerns around the weakening consumer outlook, despite no reported deterioration in trading for any of these companies.

During the six month period 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
4imprint <sup>#</sup>	0.76%	Watches of Switzerland <sup>#</sup>	(0.85%)
Prudential <sup>^</sup>	0.25%	IntegraFin <sup>#</sup>	(0.70%)
Balfour Beatty <sup>#</sup>	0.23%	Impax Environmental Markets <sup>#</sup>	(0.64%)
QinetiQ <sup>#</sup>	0.19%	Gamma Communications <sup>#</sup>	(0.58%)
Ferguson <sup>^</sup>	0.17%	Learning Technologies <sup>#</sup>	(0.52%)

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

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

Watches of Switzerland fell during the period despite the company providing strong results. The shares have significantly de-rated and now trade on a multiple of approximately 15x. Whilst the outlook for the consumer has clearly deteriorated, the Manager does not see the "cost of living" crisis as a particularly acute problem for high end luxury watches where demand continues to far exceed supply and therefore, the Manager believes the shares offer excellent value.

The largest positive contributor to performance was US focused marketer of promotional products 4imprint, which rallied in response to large upgrades as a result of significant growth in order counts and order values. The company is the largest player in the large US market despite having less than 4% market share and the positive momentum looks set to continue as their marketing is stimulating strong demand growth.



# Investment Report continued

The following table details the significant active positions, where the Fund was overweight (held more exposure than the comparator benchmark) and underweight (held less exposure than the comparator benchmark), at 31 August 2022 and 28 February 2022:

Top overweight positions			
31 August 2022		28 February 2022	
Sector	Active Weighting	Sector	Active Weighting
Industrials	10.64%	Consumer Discretionary	10.05%
Consumer Discretionary	7.97%	Industrials	8.08%
Technology	3.39%	Technology	5.38%

Top underweight positions			
31 August 2022		28 February 2022	
Sector	Active Weighting	Sector	Active Weighting
Financials	(11.31%)	Consumer Staples	(11.80%)
Consumer Staples	(8.59%)	Financials	(6.12%)
Health Care	(3.47%)	Utilities	(3.51%)

Where the Fund was 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.

During the period, the Manager has reduced the Fund's exposure to consumer related stocks as the outlook for consumer spending has become more challenged. The Manager has therefore sold the holding in JD Sports and Redrow and reduced positions in OSB, Fullers and Youngs, as a few examples. Where the Manager has tried to maintain Consumer exposure it has been concentrated in companies where the Manager sees strong structural trends and high levels of repeat ordering, such as pet spend for example (CVS Group and Pets at Home), and also thinking about what the business is selling and who they are selling to, for example Watches of Switzerland.

## Net Asset Value

At 31 August 2022	Units in Issue	Net Asset Value £000's	Net Asset Value per Unit p
A Income	541,532	13,491	2,491
A Accumulation	4,055,849	186,255	4,592
X Income	102	3	2,456
X Accumulation	11,674,763	12,317	105.5
D Income	1,414,389	35,324	2,497
D Accumulation	3,548,244	178,793	5,039
S Income	8,569,027	10,641	124.2
S Accumulation	50,593,692	72,355	143.0

## Distributions Payable for the period to 31 August 2022

Unit Class	Distribution payable on 31.10.2022 Pence per Unit
A Income	29.9214
A Accumulation	54.4549
X Income	51.0935
X Accumulation	2.1466
D Income	40.0039
D Accumulation	79.4108
S Income	2.0433
S Accumulation	2.3141

## Operating Charges

Unit Class	1.3.2022 to 31.8.2022	1.3.2021 to 28.2.2022
A Income	1.66%	1.66%
A Accumulation	1.66%	1.66%
X Income	0.02%	0.00%
X Accumulation	0.02%	0.02%
D Income	0.91%	0.91%
D Accumulation	0.91%	0.91%
S Income	0.83%	0.83%
S Accumulation	0.83%	0.83%

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).

# Portfolio Statement (unaudited)

at 31 August 2022

Holding or Nominal Value	Investment	Market Value £000's	% of Total Net Assets
<b>EQUITIES – 95.22%; 28.2.2022 100.25%</b>			
<b>BERMUDA – 0.62%; 28.2.2022 0.00%</b>			
Insurance	355,000 Hiscox	3,152	0.62
<b>GERMANY – 0.82%; 28.2.2022 1.22%</b>			
<b>Real Estate Investment &amp; Services – 0.82%; 28.2.2022 1.22%</b>			
	5,225,000 Sirius Real Estate	4,159	0.82
<b>IRELAND – 1.87%; 28.2.2022 2.49%</b>			
<b>Forest Products &amp; Paper – 0.73%; 28.2.2022 1.26%</b>			
	128,000 Smurfit Kappa	3,725	0.73
<b>Retail – 1.14%; 28.2.2022 1.23%</b>			
	807,000 Grafton	5,815	1.14
<b>JERSEY – 1.50%; 28.2.2022 1.82%</b>			
<b>Building Materials – 1.50%; 28.2.2022 1.82%</b>			
	12,800,000 Breedon	7,642	1.50
<b>UNITED KINGDOM – 90.41%; 28.2.2022 94.72%</b>			
<b>Advertising – 1.60%; 28.2.2022 2.11%</b>			
	585,000 Next Fifteen Communications	5,002	0.98
	3,166,900 Pebble	3,167	0.62
		<b>8,169</b>	<b>1.60</b>
<b>Aerospace &amp; Defence – 0.63%; 28.2.2022 0.00%</b>			
	1,025,000 Chemring	3,188	0.63
<b>Agriculture – 2.29%; 28.2.2022 0.00%</b>			
	340,000 British American Tobacco	11,679	2.29
<b>Airlines – 0.55%; 28.2.2022 1.22%</b>			
	330,000 JET2 <sup>0</sup>	2,806	0.55
<b>Banks – 6.12%; 28.2.2022 7.15%</b>			
	4,100,000 Barclays	6,742	1.32
	2,650,000 HSBC	14,003	2.75
	1,140,000 Standard Chartered	6,751	1.33
	2,450,000 Virgin Money UK <sup>0</sup>	3,660	0.72
		<b>31,156</b>	<b>6.12</b>
<b>Beverages – 1.40%; 28.2.2022 2.28%</b>			
	671,879 Fuller Smith & Turner	3,843	0.75
	280,569 Young & Co's Brewery	3,333	0.65
		<b>7,176</b>	<b>1.40</b>

Holding or Nominal Value	Investment	Market Value £000's	% of Total Net Assets
<b>Building Materials – 0.55%; 28.2.2022 1.53%</b>			
	5,700,000 SigmaRoc	2,804	0.55
<b>Chemicals – 0.38%; 28.2.2022 0.52%</b>			
	385,000 Treatt	1,956	0.38
<b>Commercial Services – 10.03%; 28.2.2022 8.70%</b>			
	335,000 4imprint	12,763	2.51
	117,000 Ashtead	4,985	0.98
	2,610,000 QinetiQ	9,119	1.79
	930,000 Rentokil Initial	4,897	0.96
	1,300,000 Restore	5,590	1.10
	1,480,000 Robert Walters	7,489	1.47
	630,000 YouGov	6,237	1.22
		<b>51,080</b>	<b>10.03</b>
<b>Computers – 2.51%; 28.2.2022 1.51%</b>			
	237,500 Computacenter	5,885	1.16
	70,496 GB	312	0.06
	3,725,000 Serco	6,556	1.29
		<b>12,753</b>	<b>2.51</b>
<b>Cosmetics &amp; Personal Care – 3.38%; 28.2.2022 2.40%</b>			
	440,000 Unilever	17,217	3.38
<b>Distribution &amp; Wholesale – 2.55%; 28.2.2022 0.00%</b>			
	120,000 Bunzl	3,470	0.68
	870,000 RS	9,535	1.87
		<b>13,005</b>	<b>2.55</b>
<b>Diversified Financial Services – 3.25%; 28.2.2022 6.84%</b>			
	1,005,000 Impax Asset Management	6,151	1.21
	1,951,062 IntegraFin	5,186	1.02
	275,000 Liontrust Asset Management	2,527	0.50
	480,000 OSB	2,640	0.52
		<b>16,504</b>	<b>3.25</b>
<b>Electricity – 1.12%; 28.2.2022 0.00%</b>			
	340,000 SSE	5,681	1.12
<b>Electronics – 2.69%; 28.2.2022 5.50%</b>			
	353,000 Oxford Instruments	7,053	1.39
	240,000 Spectris	6,626	1.30
		<b>13,679</b>	<b>2.69</b>
<b>Engineering &amp; Construction – 1.04%; 28.2.2022 0.68%</b>			
	1,700,000 Balfour Beatty	5,301	1.04

# Portfolio Statement (unaudited) continued

Holding or Nominal Value	Investment	Market Value £000's	% of Total Net Assets
<b>Food Producers – 0.00%; 28.2.2022 0.61%</b>			
<b>Food Services – 1.99%; 28.2.2022 0.00%</b>			
547,500	Compass	10,151	1.99
<b>Healthcare Products – 0.00%; 28.2.2022 0.84%</b>			
<b>Home Builders – 0.00%; 28.2.2022 1.72%</b>			
<b>Household Products – 1.88%; 28.2.2022 0.00%</b>			
145,000	Reckitt Benckiser	9,553	1.88
<b>Internet – 2.92%; 28.2.2022 3.08%</b>			
940,000	Auction Technology	7,783	1.53
2,936,250	Baltic Classifieds	4,399	0.86
1,370,000	Moonpig	2,688	0.53
		<b>14,870</b>	<b>2.92</b>
<b>Investment Companies – 1.40%; 28.2.2022 1.63%</b>			
5,200,000	Melrose Industries <sup>o</sup>	7,106	1.40
<b>Leisure Time – 0.00%; 28.2.2022 0.00%</b>			
772,401	Patisserie <sup>1</sup>	–	0.00
<b>Lodging – 0.76%; 28.2.2022 1.32%</b>			
155,000	Whitbread	3,873	0.76
<b>Machinery Construction &amp; Mining – 1.68%; 28.2.2022 1.67%</b>			
590,000	Weir	8,555	1.68
<b>Mining – 3.88%; 28.2.2022 6.01%</b>			
160,000	Anglo American	4,438	0.87
2,200,000	Central Asia Metals	5,027	0.99
215,000	Rio Tinto	10,303	2.02
		<b>19,768</b>	<b>3.88</b>
<b>Oil &amp; Gas Producers – 11.85%; 28.2.2022 10.21%</b>			
5,000,000	BP	21,792	4.28
1,500,000	Harbour Energy	7,075	1.39
1,730,000	Serica Energy	6,522	1.28
1,100,000	Shell	24,970	4.90
		<b>60,359</b>	<b>11.85</b>
<b>Pharmaceuticals – 9.45%; 28.2.2022 7.86%</b>			
282,500	AstraZeneca	30,103	5.91
460,000	CVS	8,377	1.65
170,000	Dechra Pharmaceuticals	5,923	1.16
337,500	Ergomed	3,719	0.73
		<b>48,122</b>	<b>9.45</b>
<b>Private Equity – 1.21%; 28.2.2022 2.42%</b>			
260,000	Intermediate Capital	3,545	0.70

Holding or Nominal Value	Investment	Market Value £000's	% of Total Net Assets
700,000	Molten Ventures <sup>o</sup>	2,573	0.51
		<b>6,118</b>	<b>1.21</b>
<b>Real Estate Investment Trusts – 2.52%; 28.2.2022 3.01%</b>			
665,000	Great Portland Estates	3,395	0.67
1,620,000	Warehouse Reit	2,505	0.49
1,345,000	Workspace	6,920	1.36
		<b>12,820</b>	<b>2.52</b>
<b>Retail – 4.26%; 28.2.2022 5.69%</b>			
1,780,000	Pets at Home <sup>o</sup>	5,724	1.12
1,287,500	Watches of Switzerland <sup>o</sup>	10,094	1.98
410,000	WH Smith <sup>o</sup>	5,927	1.16
		<b>21,745</b>	<b>4.26</b>
<b>Software – 1.91%; 28.2.2022 3.53%</b>			
4,200,000	Learning Technologies	4,855	0.95
1,239,699	Team17	4,897	0.96
		<b>9,752</b>	<b>1.91</b>
<b>Telecommunications – 3.57%; 28.2.2022 3.61%</b>			
395,000	accesso Technology	2,220	0.44
3,550,000	BT	5,327	1.05
980,000	Gamma Communications	10,604	2.08
		<b>18,151</b>	<b>3.57</b>
<b>Toys, Games &amp; Hobbies – 1.04%; 28.2.2022 1.07%</b>			
74,000	Games Workshop	5,273	1.04
<b>COLLECTIVE INVESTMENT SCHEMES – 5.37%; 28.2.2022 0.37%</b>			
<b>Short-term Money Market Funds – 5.37%; 28.2.2022 0.37%</b>			
273,416	BlackRock ICS Sterling Liquid Environmentally Aware Fund - Agency Income Class <sup>1</sup>	27,327	5.37
<b>Portfolio of investments</b>		<b>512,190</b>	<b>100.59</b>
Net other liabilities		(3,011)	(0.59)
<b>Total net assets</b>		<b>509,179</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>o</sup> All or a portion of this investment represents a security on loan.

<sup>1</sup> Managed by a related party.

## Statement of Total Return (unaudited)

for the six months ended 31 August 2022

	31.8.2022	31.8.2021
£000's	£000's	£000's
Income		
Net capital (losses)/gains	(49,574)	105,898
Revenue	10,535	9,255
Expenses	(3,156)	(3,936)
Net revenue before taxation	7,379	5,319
Taxation	(1)	(6)
Net revenue after taxation	7,378	5,313
Total return before distributions	(42,196)	111,211
Distributions	(7,378)	(5,313)
<b>Change in net assets attributable to unitholders from investment activities</b>	<b>(49,574)</b>	<b>105,898</b>

## Statement of Change in Net Assets Attributable to Unitholders

(unaudited) for the six months ended 31 August 2022

	31.8.2022	31.8.2021
£000's	£000's	£000's
<b>Opening net assets attributable to unitholders</b>	<b>558,460</b>	<b>578,591</b>
Amounts receivable on issue of units	66,450	37,844
Amounts payable on cancellation of units	(72,605)	(52,524)
	(6,155)	(14,680)
Change in net assets attributable to unitholders from investment activities	(49,574)	105,898
Retained distribution on accumulation units	6,448	4,578
<b>Closing net assets attributable to unitholders</b>	<b>509,179</b>	<b>674,387</b>

The above statement shows the comparative closing net assets at 31 August 2021 whereas the current accounting period commenced 1 March 2022.

# Balance Sheet (unaudited)

at 31 August 2022

	31.8.2022	28.2.2022
	£000's	£000's
<b>Assets:</b>		
Fixed assets		
– Investment assets	512,190	561,914
Current assets		
– Debtors	4,034	2,357
– Cash and bank balances	1,365	1,139
<b>Total assets</b>	<b>517,589</b>	<b>565,410</b>
<b>Liabilities:</b>		
Creditors		
– Distributions payable	(903)	(265)
– Other creditors	(7,507)	(6,685)
<b>Total liabilities</b>	<b>(8,410)</b>	<b>(6,950)</b>
<b>Net assets attributable to unitholders</b>	<b>509,179</b>	<b>558,460</b>

G D Bamping (Director)

M T Zemek (Director)

BlackRock Fund Managers Limited

28 October 2022

# Notes to Financial Statements (unaudited)

for the six months ended 31 August 2022

## Accounting Policies

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 accounting policies applied are consistent with those of the financial statements for the year ended 28 February 2022 and are described in those annual financial statements.

# 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 (as adopted by the FCA), 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

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 Bank of New York Mellon (International) Limited ("the Trustee") on behalf of the Fund. Collateral received is segregated from the assets belonging to the Fund's Trustee or the Stock Lending Agent.

The following table details the value of securities on loan as a proportion of the Fund's total lendable assets and Net Asset Value (NAV) as at 31 August 2022 and the income earned for the period ended 31 August 2022. 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.

Securities on loan		
% of lendable assets	% of NAV	Income earned £000's
2.05	1.86	5

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.



## Supplementary Information continued

The following table details the value of securities on loan (individually identified in the Fund's portfolio statement) and associated collateral received, analysed by counterparty as at 31 August 2022.

Counterparty	Counterparty's country of establishment	Securities Lending	
		Amount on loan £000's	Collateral received £000's
Barclays Capital Securities Limited	UK	340	403
BNP Paribas Arbitrage SNC	France	2,430	2,663
Goldman Sachs International	UK	1,386	1,487
HSBC Bank Plc	UK	77	84
J.P. Morgan Securities Plc	UK	195	216
Morgan Stanley & Co. International Plc	UK	33	35
Société Générale SA	France	1,966	2,191
The Bank of Nova Scotia	Canada	2,500	2,795
UBS AG	Switzerland	566	623
<b>Total</b>		<b>9,493</b>	<b>10,497</b>

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 31 August 2022.

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	–	–	12	–
CAD	7	–	2,594	–
CHF	–	–	37	–
CNY	–	–	1,559	–
DKK	–	–	2	–
EUR	–	–	641	–
GBP	–	–	346	–
HKD	–	–	355	–
JPY	–	–	657	–
NOK	–	–	1	–
SEK	–	–	6	–
SGD	–	–	5	–
USD	–	–	4,275	–
<b>Total</b>	<b>7</b>	<b>–</b>	<b>10,490</b>	<b>–</b>

As at 31 August 2022, all cash collateral received in respect of OTC derivative transactions by the Fund was re-invested in money market funds managed by the Manager or its affiliates, as disclosed in the Fund's portfolio statement.

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

The returns earned by the Fund from the reinvestment of cash collateral in money market funds during the period ended 31 August 2022 is summarised below. These returns represent the accumulative total return of the representative money market fund for the period ended 31 August 2022. These returns do not take into account any interest payable to the counterparty under the relevant collateral arrangements.

Money market fund	Total return %
<b>Institutional Cash Series plc</b>	
BlackRock ICS Sterling Liquid Environmentally Aware Fund – Agency Income class	1.70

## 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 31 August 2022.

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	–	1	6	3	901	–	<b>911</b>
<b>Equities</b>							
Recognised equity index	–	–	–	–	–	9,554	<b>9,554</b>
<b>ETFs</b>							
UCITS	–	–	–	–	–	7	<b>7</b>
Non-UCITS	–	–	–	–	–	18	<b>18</b>
<b>Total</b>	<b>–</b>	<b>1</b>	<b>6</b>	<b>3</b>	<b>901</b>	<b>9,579</b>	<b>10,490</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.

## Supplementary Information continued

As at 31 August 2022, 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 31 August 2022.

<b>Issuer</b>	<b>Value £000's</b>	<b>% of the Fund's NAV</b>
The Bank of Nova Scotia	2,795	0.55
BNP Paribas Arbitrage SNC	2,663	0.52
Société Générale SA	2,191	0.43
Goldman Sachs International	1,487	0.29
UBS AG	623	0.12
Barclays Capital Securities Limited	396	0.08
J.P. Morgan Securities Plc	216	0.04
HSBC Bank Plc	84	0.02
Morgan Stanley & Co. International Plc	35	0.01
<b>Total</b>	<b>10,490</b>	<b>2.06</b>

# About us

BlackRock is a premier provider of asset management, risk management, and advisory services to institutional, intermediary, and individual clients worldwide. As of 30 September 2022, the firm manages £7.13 trillion across asset classes in separate accounts, mutual funds, other pooled investment vehicles, and the industry-leading iShares® exchange-traded funds.

Through BlackRock Solutions®, the firm offers risk management and advisory services that combine capital markets expertise with proprietary-developed analytics, systems, and technology.

BlackRock serves clients in North and South America, Europe, Asia, Australia, Africa, and the Middle East. Headquartered in New York, the firm maintains offices in over 35 countries around the world.

## Want to know more?

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