

BlackRock



Interim report and unaudited financial statements

BlackRock UK Special Situations Fund

For the six months ended 31 August 2023

NM1023U-3203206-1/20

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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 (Resigned 2 May 2023)
W I Cullen*
D Edgar
K Henry (Appointed 3 March 2023)
A M Lawrence
H N Mepham
S Sabin (Appointed 18 August 2023)
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
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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 31 October 2022 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 2023.

Fund Manager

As at 31 August 2023, the fund manager was Roland Arnold.

Significant Events

Changes in the Directors of the Manager

K Henry was appointed as a Director effective 3 March 2023.

S Corrigan resigned as a Director effective 2 May 2023.

S Sabin was appointed as a Director effective 18 August 2023.

Investment Manager's Report

for the six months ended 31 August 2023

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 Average | Active |

Performance Summary

The following table compares the Fund's realised performance against the performance of the comparator benchmark during the financial period ended 31 August 2023.

| | Fund return % | Comparator benchmark % |
|----------------------------|------------------|------------------------------|
| Class D Accumulation Units | (4.83) | (3.89) |

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

- Fund returns shown, 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 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 the Statement of Recommended Practice for Authorised Funds ("SORP") requirements, including the accounting policy for the valuation point at 12 noon, 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 5.37% (in GBP terms) during the six months ended 31 August 2023. Equities recovered from pessimism induced by high inflation (the rate of increase in the prices of goods and services) and rising interest rates, although inflation has begun to slow down in many parts of the world. Indicators of continued resilience, such as robust consumer spending and tight labour markets, tempered investors' concerns about slowing global economic growth.

Investment Manager's Report continued

The US economy grew strongly in the first six months of 2023 as both consumer and government spending rose, and consumers showed signs of growth in continued spending in July and August 2023. While several prominent regional banks failed during the period, prompt government action limited the impact on the wider economy. The US jobs market continued to show strength, and unemployment remained at historically low levels. In Japan, the economy accelerated during the first six months of 2023, and the government lifted strict border controls although exports declined near the end of the period under review. The UK economy was nearly flat in the first six months of 2023 before contracting in July 2023 amid weakness in exports as global trade cooled. Modest growth resumed in the Eurozone in the first six months of 2023, but high interest rates continued to weigh on the region's economy and retail sales fell in July 2023. UBS's takeover of the failed Credit Suisse at the behest of regulators stabilised markets.

Most emerging market economies continued to expand, although fluctuating commodity prices and the higher interest rate environment presented significant economic challenges. The Chinese economy grew at a slow pace relative to the country's historical rate while falling consumer prices raised concerns about deflation (general decline of the price level of goods and services).

The world's largest central banks continued to implement measures aimed at monetary policy tightening, although the pace of tightening slowed in some regions. The US Federal Reserve ("the Fed") raised interest rates three times, pausing once before resuming with another increase at its July 2023 meeting. However, this represented a significantly slower pace of interest rate increases compared to the sharp tightening seen during the second half of 2022 from the Fed. The Fed also continued to reduce some of the accumulated bond holdings on its balance sheet.

The Bank of England ("BoE") raised interest rates four times, as inflation remained high despite showing some signs of easing. The European Central Bank ("ECB") also increased interest rates at each of its four meetings in an effort to control rising prices in the Eurozone. Furthermore, the ECB began to reduce the size of its balance sheet in March 2023 by allowing some of its outstanding bonds to mature without reinvestment.

Global equity performance was positive overall, as inflationary pressure eased and the global economy continued to grow despite slowdown in some regions. US stocks surged as the Fed tightening slowed and innovations in the technology sector drove significant gains. European stocks performed well as tourism rebounded strongly, supporting consumer spending. Meanwhile, Asian stocks gained as Japan's economy picked up and investor interest in semiconductor companies surged. Equities in emerging markets also gained, helped by the slowing pace of interest rate increases.

Global bond prices (which move inversely to yields) rose slightly overall, as moderating inflation led investors to anticipate an end to the current monetary policy tightening cycle. US treasury prices rose fractionally, sustained by the changing economic environment, as well as the failure of several US banks and subsequent government intervention. UK gilt prices declined slightly, as large borrowing requirements and persistent inflation raised concerns among investors. European government bonds gained slightly, while Japanese government bond prices were volatile, driven by periodic substantial purchases from The Bank of Japan to keep yields within its yield cap. Global corporate bond prices advanced as continued resilience in the global economy drove investor optimism and both high-yield and investment-grade bonds gained.

In the commodities markets, Brent crude oil prices rose moderately as several large oil producing and exporting countries cut production levels. European natural gas prices remained steady, having retreated significantly from the highs following Russia's invasion of Ukraine. Gold prices rose amid the slowing pace of Fed interest rate increases and elevated inflation.

Investment Manager's Report continued

In the foreign exchange markets, the US dollar performance was mixed against other global currencies. The euro and sterling appreciated relative to the US dollar, while the Japanese yen and Chinese yuan declined. Continued interest rate increases from the ECB and BoE, even as the Fed slowed its pace of interest rate hikes, drove the increase in the relative value of the euro and sterling.

Fund Performance Review and Activity

Over the six month period to 31 August 2023, the Fund's performance return was (4.83%) and the active return was (0.94%), regrettably underperforming its comparator benchmark which returned (3.89%) (active return is the difference between the Fund's return and the comparator benchmark return).

With growing concerns around the outlook for the UK economy and the challenge in its fight against persistent inflation, as a result of the tight labour market, small and mid-caps continued to underperform. UK GDP growth showed the economy grew 0.2% during the second quarter, which was slightly stronger than the Bank of England forecast of 0.1%, and an acceleration compared to the prior two quarters.

The Fund has underperformed its benchmark during the period. Stock selection within industrials detracted the most from relative performance, while stock selection within health care contributed the most. During the period the spike in market volatility driven largely by the macro and geopolitical environment has led the UK small and mid-cap market to significantly lag behind the FTSE 100. This dynamic has certainly caused a headwind to the UK Special Situations Fund given the mandate which requires the Fund to own a minimum of 50% in small and mid-caps at all times.

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 [#] | 0.64% | Watches Of Switzerland [#] | (0.66%) |
| Dechra Pharmaceuticals [#] | 0.35% | Future [#] | (0.32%) |
| Melrose Industries ^{e#} | 0.35% | Rolls-Royce [^] | (0.31%) |
| CVS [#] | 0.31% | Robert Walters [#] | (0.29%) |
| Prudential [^] | 0.31% | Impax Asset Management [#] | (0.29%) |

[#] Overweight position - holds more exposure than the comparator benchmark.

[^] Underweight position - holds less exposure than the comparator benchmark.

Watches of Switzerland ('WOSG') was the top detractor from performance during the period. Shares have been weak due to market concerns that demand would deteriorate. Most recently the share price fell after the announcement of Rolex acquiring Bucherer (a privately held luxury watch retailer and competitor of WOSG). The team still has conviction in the position, but the position size has been reduced because there is a greater risk.

4imprint was the top contributor to relative performance during the period. 4imprint reported better than expected performance in their H1 results and raise full year guidance. The company highlighted record levels of demand with order growth of 18% year on year and favourable returns on marketing spend.

Investment Manager's 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 2023 and 28 February 2023:

| Top overweight positions | | | |
|--------------------------|------------------|------------------------|------------------|
| 31 August 2023 | | 28 February 2023 | |
| Sector | Active Weighting | Sector | Active Weighting |
| Consumer Discretionary | 14.04% | Consumer Discretionary | 12.03% |
| Industrials | 10.62% | Industrials | 10.75% |
| Technology | 3.45% | Technology | 3.92% |

| Top underweight positions | | | |
|---------------------------|------------------|------------------|------------------|
| 31 August 2023 | | 28 February 2023 | |
| Sector | Active Weighting | Sector | Active Weighting |
| Consumer Staples | (10.33%) | Consumer Staples | (11.07%) |
| Financials | (6.94%) | Financials | (6.09%) |
| Health Care | (5.20%) | Health Care | (4.26%) |

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.

The team has removed positions where the investment thesis has been challenged, one such example being RS. On the other side, the team has added to exposures where we believe the long term prospects are not reflected in the current valuations, including, London Stock Exchange and Rotork.

Net Asset Value

| At 31 August 2023 | Units in Issue | Net Asset Value £000's | Net Asset Value per Unit p |
|-------------------|----------------|---------------------------|----------------------------------|
| A Income | 350,922 | 8,719 | 2,485 |
| A Accumulation | 3,096,659 | 143,974 | 4,649 |
| X Income | 102 | 3 | 2,450 |
| X Accumulation | 11,112,215 | 12,066 | 108.6 |
| D Income | 1,353,678 | 33,722 | 2,491 |
| D Accumulation | 3,439,706 | 176,805 | 5,140 |
| S Income | 7,928,866 | 9,822 | 123.9 |
| S Accumulation | 41,455,706 | 60,525 | 146.0 |

Distributions Payable for the period to 31 August 2023

| Unit Class | Distribution payable on 31.10.2023 Pence per Unit |
|----------------|--|
| A Income | 31.2689 |
| A Accumulation | 57.7916 |
| X Income | 51.9574 |
| X Accumulation | 2.2496 |
| D Income | 41.1643 |
| D Accumulation | 83.4979 |
| S Income | 2.0988 |
| S Accumulation | 2.4301 |

Operating Charges

| Unit Class | 1.3.2023 to 31.8.2023 | 1.3.2022 to 28.2.2023 |
|----------------|--------------------------|--------------------------|
| A Income | 1.66% | 1.66% |
| A Accumulation | 1.66% | 1.66% |
| X Income | 0.02% | 0.02% |
| 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/depository and entry/exit charges paid to an underlying collective investment scheme (if any).

Portfolio Statement (unaudited)

at 31 August 2023

| Holding or Nominal Value | Investment | Market Value £000's | % of Total Net Assets |
|---|--------------------------------|------------------------|-----------------------|
| EQUITIES – 100.10%; 28.2.2023 100.19% | | | |
| BERMUDA – 1.07%; 28.2.2023 0.98% | | | |
| Insurance – 1.07%; 28.2.2023 0.98% | 475,847 Hiscox ^o | 4,763 | 1.07 |
| GERMANY – 0.60%; 28.2.2023 0.50% | | | |
| Real Estate Investment & Services – 0.60%; 28.2.2023 0.50% | | | |
| | 3,123,375 Sirius Real Estate | 2,685 | 0.60 |
| IRELAND – 2.14%; 28.2.2023 2.10% | | | |
| Banks – 0.54%; 28.2.2023 0.00% | | | |
| | 1,310,000 Permanent TSB | 2,404 | 0.54 |
| Forest Products & Paper – 0.00%; 28.2.2023 0.57% | | | |
| Retail – 1.60%; 28.2.2023 1.53% | | | |
| | 823,000 Grafton | 7,135 | 1.60 |
| JERSEY – 0.00%; 28.2.2023 1.65% | | | |
| Building Materials – 0.00%; 28.2.2023 1.65% | | | |
| UNITED KINGDOM – 95.58%; 28.2.2023 94.41% | | | |
| Advertising – 1.22%; 28.2.2023 1.73% | | | |
| | 415,000 Next 15 | 2,565 | 0.58 |
| | 3,322,536 Pebble | 2,857 | 0.64 |
| | | 5,422 | 1.22 |
| Airlines – 0.00%; 28.2.2023 0.71% | | | |
| Automobile Parts & Equipment – 0.57%; 28.2.2023 0.00% | | | |
| | 2,218,403 Dowlais ^o | 2,553 | 0.57 |
| Banks – 5.60%; 28.2.2023 8.70% | | | |
| | 2,280,202 HSBC | 13,414 | 3.01 |
| | 1,873,511 NatWest | 4,373 | 0.98 |
| | 993,926 Standard Chartered | 7,158 | 1.61 |
| | | 24,945 | 5.60 |
| Beverages – 1.75%; 28.2.2023 1.33% | | | |
| | 630,000 Fuller Smith & Turner | 3,515 | 0.79 |
| | 377,377 Young & s Brewery | 4,264 | 0.96 |
| | | 7,779 | 1.75 |
| Building Materials – 2.79%; 28.2.2023 0.65% | | | |
| | 2,450,000 Breedon | 8,649 | 1.94 |
| | 6,920,000 SigmaRoc | 3,792 | 0.85 |
| | | 12,441 | 2.79 |
| Chemicals – 0.47%; 28.2.2023 0.41% | | | |
| | 385,000 Treatt | 2,102 | 0.47 |

| Holding or Nominal Value | Investment | Market Value £000's | % of Total Net Assets |
|--|--------------------------------------|------------------------|-----------------------|
| Commercial Services – 11.82%; 28.2.2023 11.04% | | | |
| | 255,000 4imprint | 12,903 | 2.90 |
| | 130,000 Ashtead | 7,254 | 1.63 |
| | 2,395,000 QinetiQ | 7,798 | 1.75 |
| | 520,000 RELX | 13,447 | 3.02 |
| | 1,483,658 Robert Walters | 5,415 | 1.21 |
| | 678,000 YouGov | 5,831 | 1.31 |
| | | 52,648 | 11.82 |
| Computers – 2.44%; 28.2.2023 2.51% | | | |
| | 245,000 Computacenter | 5,336 | 1.20 |
| | 3,590,000 Serco | 5,525 | 1.24 |
| | | 10,861 | 2.44 |
| Cosmetics & Personal Care – 3.10%; 28.2.2023 2.74% | | | |
| | 340,000 Unilever | 13,816 | 3.10 |
| Distribution & Wholesale – 1.01%; 28.2.2023 2.53% | | | |
| | 157,215 Bunzl | 4,492 | 1.01 |
| Diversified Financial Services – 7.07%; 28.2.2023 6.39% | | | |
| | 1,500,000 Ashmore | 3,003 | 0.67 |
| | 575,000 Impax Asset Management | 3,117 | 0.70 |
| | 2,506,038 IntegraFin | 5,990 | 1.34 |
| | 190,527 London Stock Exchange | 15,631 | 3.51 |
| | 2,275,000 TP ICAP | 3,783 | 0.85 |
| | | 31,524 | 7.07 |
| Electricity – 0.00%; 28.2.2023 0.69% | | | |
| Electronics – 2.12%; 28.2.2023 2.56% | | | |
| | 265,000 Oxford Instruments | 5,804 | 1.30 |
| | 110,000 Spectris | 3,660 | 0.82 |
| | | 9,464 | 2.12 |
| Engineering & Construction – 2.13%; 28.2.2023 1.50% | | | |
| | 1,740,000 Balfour Beatty | 5,697 | 1.28 |
| | 195,000 Morgan Sindall | 3,803 | 0.85 |
| | | 9,500 | 2.13 |
| Food Services – 1.94%; 28.2.2023 1.71% | | | |
| | 430,000 Compass | 8,669 | 1.94 |
| Home Builders – 1.28%; 28.2.2023 0.00% | | | |
| | 151,039 Bellway | 3,244 | 0.73 |
| | 2,115,885 Taylor Wimpey ^o | 2,435 | 0.55 |
| | | 5,679 | 1.28 |
| Household Products – 1.68%; 28.2.2023 1.35% | | | |
| | 131,480 Reckitt Benckiser | 7,494 | 1.68 |

Portfolio Statement (unaudited) continued

| Holding or Nominal Value | Investment | Market Value £000's | % of Total Net Assets |
|---|-----------------------------|------------------------|-----------------------|
| Internet – 3.91%; 28.2.2023 2.75% | | | |
| 995,000 | Auction Technology | 7,154 | 1.60 |
| 2,675,000 | Baltic Classifieds | 5,751 | 1.29 |
| 586,843 | Future ^o | 4,569 | 1.02 |
| | | 17,474 | 3.91 |
| Investment Companies – 1.79%; 28.2.2023 1.11% | | | |
| 1,535,412 | Melrose Industries | 7,966 | 1.79 |
| Leisure Time – 0.00%; 28.2.2023 0.00% | | | |
| 772,401 | Patisserie ¹ | – | 0.00 |
| Lodging – 1.43%; 28.2.2023 1.12% | | | |
| 185,000 | Whitbread | 6,360 | 1.43 |
| Machinery Construction & Mining – 1.41%; 28.2.2023 1.38% | | | |
| 340,000 | Weir | 6,273 | 1.41 |
| Machinery Diversified – 1.83%; 28.2.2023 1.30% | | | |
| 2,717,055 | Rotork | 8,178 | 1.83 |
| Media – 0.00%; 28.2.2023 0.77% | | | |
| Mining – 4.11%; 28.2.2023 4.67% | | | |
| 213,000 | Anglo American | 4,490 | 1.01 |
| 2,040,000 | Central Asia Metals | 4,039 | 0.91 |
| 200,000 | Rio Tinto | 9,754 | 2.19 |
| | | 18,283 | 4.11 |
| Miscellaneous Manufacturing – 1.96%; 28.2.2023 0.77% | | | |
| 1,550,000 | Chemring | 4,487 | 1.01 |
| 135,000 | Diploma | 4,242 | 0.95 |
| | | 8,729 | 1.96 |
| Oil & Gas Producers – 8.47%; 28.2.2023 10.50% | | | |
| 2,783,058 | BP | 13,629 | 3.06 |
| 1,950,000 | Harbour Energy ^o | 4,859 | 1.09 |
| 1,450,000 | Serica Energy | 3,582 | 0.80 |
| 647,343 | Shell | 15,666 | 3.52 |
| | | 37,736 | 8.47 |
| Pharmaceuticals – 8.59%; 28.2.2023 8.44% | | | |
| 199,737 | AstraZeneca | 21,496 | 4.82 |
| 510,000 | CVS | 10,730 | 2.41 |
| 317,500 | Ergomed | 3,302 | 0.74 |
| 150,000 | Indivior | 2,757 | 0.62 |
| | | 38,285 | 8.59 |
| Private Equity – 1.67%; 28.2.2023 1.33% | | | |
| 385,000 | Intermediate Capital | 5,211 | 1.17 |

| Holding or Nominal Value | Investment | Market Value £000's | % of Total Net Assets |
|---|---|------------------------|-----------------------|
| 910,000 | Molten Ventures | 2,220 | 0.50 |
| | | 7,431 | 1.67 |
| Real Estate Investment & Services – 0.58%; 28.2.2023 0.00% | | | |
| 1,091,988 | Grainger | 2,592 | 0.58 |
| Real Estate Investment Trusts – 2.58%; 28.2.2023 2.23% | | | |
| 720,000 | Great Portland Estates | 2,992 | 0.67 |
| 1,682,248 | Workspace | 8,529 | 1.91 |
| | | 11,521 | 2.58 |
| Retail – 4.69%; 28.2.2023 4.82% | | | |
| 83,724 | Next ^o | 5,834 | 1.31 |
| 1,427,001 | Watches of Switzerland | 8,284 | 1.86 |
| 465,000 | WH Smith | 6,794 | 1.52 |
| | | 20,912 | 4.69 |
| Software – 0.86%; 28.2.2023 2.08% | | | |
| 1,160,000 | Team17 | 3,851 | 0.86 |
| Telecommunications – 3.12%; 28.2.2023 3.33% | | | |
| 395,000 | accesso Technology | 2,670 | 0.60 |
| 1,050,000 | Gamma Communications | 11,214 | 2.52 |
| | | 13,884 | 3.12 |
| Toys, Games & Hobbies – 1.59%; 28.2.2023 1.26% | | | |
| 65,500 | Games Workshop | 7,087 | 1.59 |
| UNITED STATES OF AMERICA – 0.71%; 28.2.2023 0.55% | | | |
| Software – 0.71%; 28.2.2023 0.55% | | | |
| 2,250,000 | Boku | 3,150 | 0.71 |
| COLLECTIVE INVESTMENT SCHEMES – 0.05%; 28.2.2023 0.02% | | | |
| Short-term Money Market Funds – 0.05%; 28.2.2023 0.02% | | | |
| 2,344 | BlackRock ICS Sterling Liquid Environmentally Aware Fund - Agency Income Class [†] | 234 | 0.05 |
| Portfolio of investments | | 446,322 | 100.15 |
| Net other liabilities | | (686) | (0.15) |
| Total net assets | | 445,636 | 100.00 |

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

¹ These securities were valued in consultation with the Manager. These securities were fair valued or suspended at financial period end.

^o All or a portion of this investment represents a security on loan.

[†] Managed by a related party.

Statement of Total Return (unaudited)

for the six months ended 31 August 2023

| | £000's | 31.8.2023 £000's | £000's | 31.8.2022 £000's |
|--|---------|---------------------|---------|---------------------|
| Income | | | | |
| Net capital losses | | (30,601) | | (49,574) |
| Revenue | 9,827 | | 10,535 | |
| Expenses | (2,735) | | (3,156) | |
| Net revenue before taxation | 7,092 | | 7,379 | |
| Taxation | – | | (1) | |
| Net revenue after taxation | | 7,092 | | 7,378 |
| Total return before distributions | | (23,509) | | (42,196) |
| Distributions | | (7,121) | | (7,378) |
| Change in net assets attributable to unitholders from investment activities | | (30,630) | | (49,574) |

Statement of Change in Net Assets Attributable to Unitholders

(unaudited) for the six months ended 31 August 2023

| | £000's | 31.8.2023 £000's | £000's | 31.8.2022 £000's |
|---|----------|---------------------|----------|---------------------|
| Opening net assets attributable to unitholders | | 513,345 | | 558,460 |
| Amounts receivable on issue of units | 13,143 | | 66,450 | |
| Amounts payable on cancellation of units | (56,141) | | (72,605) | |
| | | (42,998) | | (6,155) |
| Change in net assets attributable to unitholders from investment activities | | (30,630) | | (49,574) |
| Retained distribution on accumulation units | | 5,919 | | 6,448 |
| Closing net assets attributable to unitholders | | 445,636 | | 509,179 |

The above statement shows the comparative closing net assets at 31 August 2022 whereas the current accounting period commenced 1 March 2023.

Balance Sheet (unaudited)

at 31 August 2023

| | 31.8.2023 | 28.2.2023 |
|---|----------------|----------------|
| | £000's | £000's |
| Assets: | | |
| Fixed assets | | |
| – Investment assets | 446,322 | 514,435 |
| Current assets | | |
| – Debtors | 2,664 | 2,405 |
| – Cash and bank balances | 575 | 521 |
| Total assets | 449,561 | 517,361 |
| Liabilities: | | |
| Creditors | | |
| – Distributions payable | (833) | (310) |
| – Other creditors | (3,092) | (3,706) |
| Total liabilities | (3,925) | (4,016) |
| Net assets attributable to unitholders | 445,636 | 513,345 |

G D Bamping (Director)

M T Zemek (Director)

BlackRock Fund Managers Limited

26 October 2023

Notes to Financial Statements (unaudited)

for the six months ended 31 August 2023

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 2023 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 2023 and the income earned for the period ended 31 August 2023. 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 |
| 1.02 | 1.00 | 2 |

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.

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 2023.

| Counterparty | Counterparty's country of establishment | Securities Lending | |
|----------------------------------|---|--------------------|---------------------|
| | | Amount on loan | Collateral received |
| | | £000's | £000's |
| Citigroup Global Markets Limited | UK | 414 | 468 |
| HSBC Bank | UK | 1,030 | 1,192 |
| J.P. Morgan Securities Plc | UK | 2,868 | 3,130 |
| Morgan Stanley International | UK | 125 | 144 |
| Total | | 4,437 | 4,934 |

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 2023.

| Currency | Cash collateral received £000's | Cash collateral posted £000's | Non-cash collateral received £000's | Non-cash collateral posted £000's |
|--|------------------------------------|----------------------------------|--|--------------------------------------|
| Securities lending transactions | | | | |
| AUD | – | – | 8 | – |
| CAD | – | – | 240 | – |
| CHF | – | – | 12 | – |
| CNY | – | – | 728 | – |
| EUR | – | – | 140 | – |
| GBP | – | – | 269 | – |
| HKD | – | – | 70 | – |
| JPY | – | – | 590 | – |
| SGD | – | – | 15 | – |
| USD | – | – | 2,862 | – |
| Total | – | – | 4,934 | – |

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 31 August 2023.

| 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 |
| Collateral received - securities lending | | | | | | | |
| Fixed income | | | | | | | |
| Investment grade | – | – | – | 38 | 1,355 | – | 1,393 |
| Equities | | | | | | | |
| Recognised equity index | – | – | – | – | – | 3,447 | 3,447 |
| ETFs | | | | | | | |
| Non-UCITS | – | – | – | – | – | 94 | 94 |
| Total | – | – | – | 38 | 1,355 | 3,541 | 4,934 |

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 2023, 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 2023.

| Issuer | Value £000's | % of the Fund's NAV |
|---|-------------------------|----------------------------|
| United States of America (Government) | 1,066 | 0.24 |
| Tencent Holdings Ltd | 486 | 0.11 |
| Alibaba Group Holding Ltd | 330 | 0.08 |
| TC Energy Corp | 239 | 0.06 |
| United Kingdom of Great Britain and Northern Ireland (Government) | 235 | 0.05 |
| Taiwan Semiconductor Manufacturing Co Ltd | 115 | 0.03 |
| Recruit Holdings Co Ltd | 114 | 0.03 |
| Tokyo Electron Ltd | 111 | 0.03 |
| SPDR Gold Shares | 110 | 0.03 |
| Philip Morris International Inc | 109 | 0.03 |
| Other issuers | 2,019 | 0.42 |
| Total | 4,934 | 1.11 |

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 2023, the firm manages £7.18 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.


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