

BlackRock UK Absolute Alpha Fund - Class A

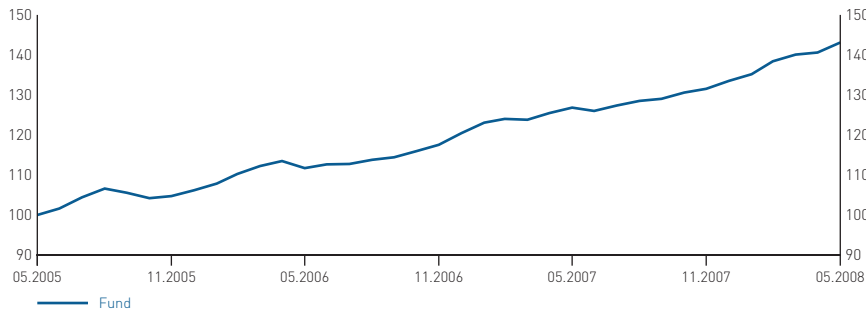
Performance to 31 May 2008

ISA Fund
For Professional Intermediaries Only

Unit Trusts

BLACKROCK

A Class Performance



Cumulative Performance	1 Month %	3 Months %	6 Months %	1 Year %	3 Years %	Since Launch %	Year To Date %	Annualised Since Launch %
A Class	1.8	3.4	8.8	12.8	43.1	44.1	7.2	12.5

Annual performance to the last quarter end	31-03-03 to 31-03-04 %	31-03-04 to 31-03-05 %	31-03-05 to 31-03-06 %	31-03-06 to 31-03-07 %	31-03-07 to 31-03-08 %
A Class	-	-	-	10.3	13.1

The above table will only show performance for complete 12 month performance periods.

Past performance is not a guide to future performance. The latest performance data is available on our website – www.blackrock.co.uk. Performance is based on bid (selling) to bid prices, with net income reinvested. Quartile is the ranking achieved in the relevant Standard & Poor's sector, 1st quartile means ranked in the top 25% of funds in the sector, 2nd quartile is the next 25% of funds in the sector and so on.

The BlackRock UK Absolute Alpha Fund is a "long/short" fund that employs certain derivative techniques and establishes both "long" and "short" positions. Therefore, as well as holding assets that may rise or fall with market values, it will also hold positions that will rise as the market value falls, and fall as the market value rises. The Fund is principally exposed to UK company share price movements. Certain derivative techniques establish "long" and "short" positions which can lead to movements in the Fund's value which might not correspond with the general direction of the UK stock market. The Manager employs a risk management process to oversee and manage derivative exposure within the Fund.

Fund Data		Dealing & Prices	
Fund Manager	Mark Lyttleton/Nick Osborne	Dealing Information	
Launch Date of Fund	29.04.2005	Dealing Frequency	Daily
Launch Date of Class A	29.04.2005	Valuation Frequency	Daily
Benchmark	-	Settlement	Trade date + 4 days
Morningstar Sector	Not available	Fees	%
Total Fund Size (m)	€995.9	Initial Charge (A Units)	5
Yield (%)	0.73	Annual Management Fee (A Units)	1.75
Distribution Date	31.08; 28.02	12 Months High/Low Offer	(p)
Ex-Distribution Date	31.12; 30.06	Fund	144.50/127.20
Minimum Investment	€250000 lump sum; €250 monthly		
Codes			
Sedol	B06L9G5		
ISIN	GB00B06L9G55		
Bloomberg Equity Ticker	MLUKAAA LN		

		Equity Fund
Stockmarket Capitalisation	Large	40-70 Strategies
	Mid	
	Small	
Style		Absolute Return – Long/Short

Awards & Ratings

S&P Fund Management Rating	AA
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Summary of Investment Objective

BlackRock UK Absolute Alpha Fund seeks to achieve a positive absolute return for investors and, as such, the Fund will not be managed against any UK equity index. The Fund invests primarily in a portfolio of equities and equity-related securities (including derivatives) of companies incorporated or listed in the UK, although from time to time cash and near cash may be held. The Fund may also invest in other transferable securities, permitted money market instruments, permitted deposits and units in collective investment schemes.

In order to achieve the investment objective and policy the Fund will invest in a variety of investment strategies and instruments. It intends to take full advantage of the ability to invest in derivatives providing both long and synthetic short positions principally through the use of contracts for difference. **No further investments are permitted into class A units, with the exception of existing regular monthly savers.**

10 Largest Holdings

Company	%
Dolphin Capital Investors Ltd.	1.8
BAE Systems	1.5
Friends Provident PLC	1.5
Charter	1.3
Enterprise Inns	1.3
Hammerson	1.3
William Hill Plc	1.3
Kentz Corp Ltd	1.2
Compass Group	1.1
Tullow Oil	1.1
Total	13.4

Sources: BIM(UK) ■ On 1 September 2007 the fund was renamed the BlackRock UK Absolute Alpha Fund. It was previously known as the Merrill Lynch UK Absolute Alpha Fund. With effect from 1 September 2007 Class A units were no longer available for investment. The fund data displayed is designed only to provide summary information. The number of shares quoted for each fund are indicative and actual numbers may fall outside of the ranges shown. Investment should be made on the basis of the relevant product booklet, together with Prospects and Simplified Prospectus which are available from the Managers. You should remember that the value of investments and the income from them may go down as well as up and are not guaranteed. You may not get back the amount you invest. Past performance is not a guide to future performance. Changes in rates of exchange may cause the value of your investment to fluctuate. Issued by BlackRock Investment Management (UK) Limited (authorised and regulated by the Financial Services Authority). Registered office: 33 King William Street, London EC4R 9AS. Registered in England No. 2020394. For your protection telephone calls are usually recorded. BlackRock is a trading name of BlackRock Investment Management (UK) Limited. The Merrill Lynch name and logo are trade marks of, and used under licence from, Merrill Lynch & Co., Inc.

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BlackRock UK Absolute Alpha Fund

continued

Fund Manager's Report as at 31 May 2008

The Fund performed satisfactorily in May, returning 1.8% against an almost unchanged FTSE All-Share index. The long portfolio made a particularly strong contribution, and our relative strategies continued to produce pleasing returns, especially when considered on a risk-adjusted basis.

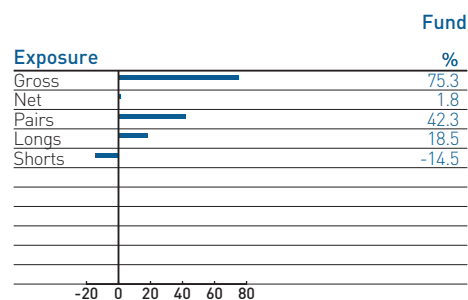
The market was once again dominated by the financial and resources sectors, with the global financial sector suffering its worst relative month since the credit crises began last August. In part, this was driven by new fears that inflation would rise to uncomfortably high levels, raising the spectre of tightening monetary policy. In addition, fundamentals continued to deteriorate and traditional loan bonds began to show worsening arrears trends. Finally, capital adequacy and solvency remained firmly at the forefront of investors' minds.

Heightened inflationary fears were motivated by further rises in commodity price, most notably crude oil, crucially at the long end of the futures curve. Simply put, investors are increasingly comfortable assuming that elevated prices are not just a short-term phenomenon.

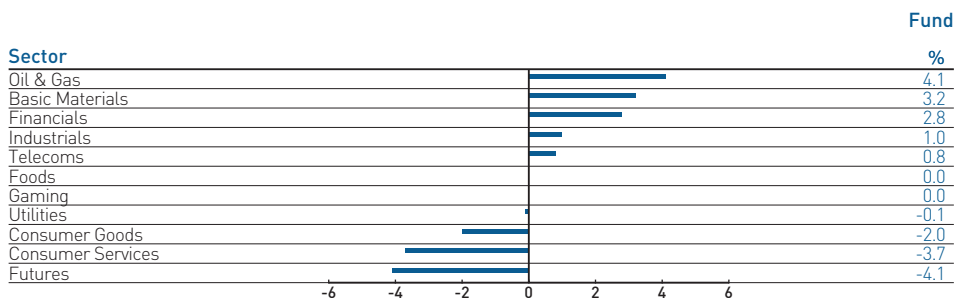
Our exposure to commodities, whilst modest, was helpful with particularly strong contributions from Kentz, an oil services company and Coal of Africa. We saw an opportunity to benefit from the flattening of the oil futures curve by initiating a position in Drax Group, owner of a coal-fired power station. Despite the rise in coal prices the nature of the UK electricity market, with gas plant as the marginal price setter, means that dark spreads have expanded materially thereby increasing the profitability of Drax.

Otherwise, portfolio activity was limited and we consider the Fund well positioned for the current environment. Market exposure remains negligible and the continued woes of the banking sector increase our conviction that domestic consumption trends will continue to deteriorate.

Exposure *



Composition of Fund



* **Gross exposure:** the total of the fund's long and synthetic short positions in relation to the assets of the fund (excluding future positions for EPM purposes). For example, if the fund is 70 per cent long and 50 per cent short, then the fund is 120 percent gross invested. **Net exposure:** the percentage of a fund that is currently invested in the market net of long and synthetic short positions. It is calculated as the difference between the long and the synthetic short positions. For example, if a fund is 55 per cent long and 45 per cent short, then the fund is 10 per cent net long. **Pairs trading:** an investment strategy that invests in a combination of a long and short positions, often to neutralise an element of market risk. For example, if we decide that the banking sector was unlikely to generate an overall positive return, but commercial banks would outperform mortgage banks, we could take a long position in a commercial bank and a synthetic short position in mortgage bank, potentially reducing the portfolio's overall bank position to zero. **Naked long:** this is a long position, where we have a strong conviction that the stock price will rise. **Naked short:** this is a synthetic short position, where we have a strong conviction that stock price will fall. ■