

# BlackRock UK Absolute Alpha Fund - Class P

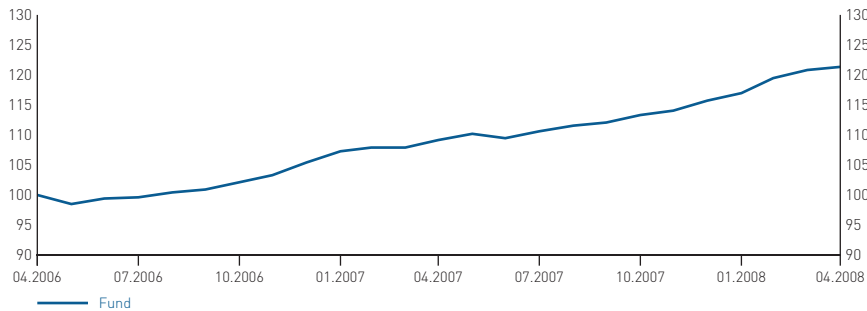
Performance to 30 April 2008

ISA Fund

Unit Trusts

# BLACKROCK

## P Class Performance



## Cumulative Performance

	1 Month %	3 Months %	6 Months %	1 Year %	Since Launch %	Year To Date %	Annualised (Since Launch) %
P Class	0.4	3.7	7.1	11.2	22.3	4.9	10.1

## 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 %
P Class	-	-	-	8.8	12.0

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](http://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

Fund Manager	Mark Lyttleton/Nick Osborne
Launch Date of Fund	29.04.2005
Launch Date of Class P	31.03.2006
Benchmark	-
Morningstar Sector	Not available
Total Fund Size (m)	£866.1
Yield (%)	0.86
Minimum Investment	£500 lump sum; £50 monthly

## Codes

Sedol	B11V7T6
ISIN	GB00B11V7T69
Bloomberg Equity Ticker	MLUKAAP LN

## Dealing & Prices

Dealing Information	
Dealing Frequency	Daily
Valuation Frequency	Daily
Settlement	Trade date + 4 days
Fees	
Initial Charge (P Units)	5
Annual Management Fee (P Units)	1.50
Performance Fee (P Units)*	20.0
12 Months High/Low Offer	
Fund	122.70/110.60

		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.

## 10 Largest Holdings

	%
Dolphin Capital Investors Ltd.	2.1
Hammerson	1.7
BAE Systems	1.6
Charter	1.4
Friends Provident PLC	1.4
Meggitt	1.3
William Hill Plc	1.3
Easyjet	1.2
Enterprise Inns	1.2
Kentz Corp Ltd	1.2
Total	14.4

Sources: BIM(UK)IL ■ \*Performance fee is accrued at each valuation point and charged at 20% of the amount by which the performance of the Fund exceeds the Hurdle (3 month LIBOR set quarterly) and provided the current bid price of the Fund is higher than the High Water Mark. 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. 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 the Prospectus 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.

# BlackRock UK Absolute Alpha Fund continued

**Merrill Lynch (ML) was  
renamed BlackRock (BLK)  
on 28 April 2008**

## Fund Manager's Report as at 30 April 2008

The Fund performed satisfactorily in April, in the context of the strong returns generated over the first quarter and our continued modest equity market exposure. The FTSE All-Share index returned 6.3% and, in this environment, it is unsurprising that the majority of returns were generated from our Long positions.

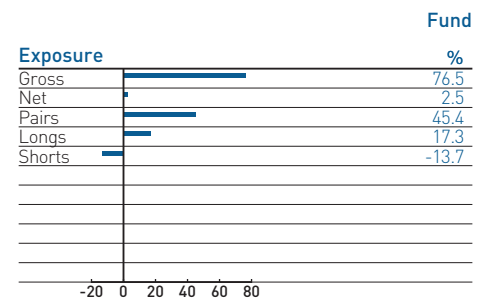
The financial sector was an area of focus for investors over the month, as central banks introduced further measures aimed at improving liquidity and a number of banks in the UK announced large equity fundraisings in order to address vulnerable capital positions. The extent of leverage within the financial sector has been a concern of ours for some time and capital injections are a necessary first step in reducing balance sheet stress, however painful it may prove for existing shareholders.

Although improvements in capital ratios are undeniably positive, the outlook for the sector is still uncertain. While the securities market crisis may be coming to an end, more traditional loan books are likely to be the next area of stress and provisioning levels look very low. Asset spreads may well have improved but in the near term liabilities are likely to mature more swiftly causing further margin pressure at current wholesale funding costs. Our cautious view on the outlook for loan growth continues to inform our economic outlook - consumers and businesses are quite simply going to find access to capital restricted and its price in some instances prohibitive. This is likely to slow domestic growth rates.

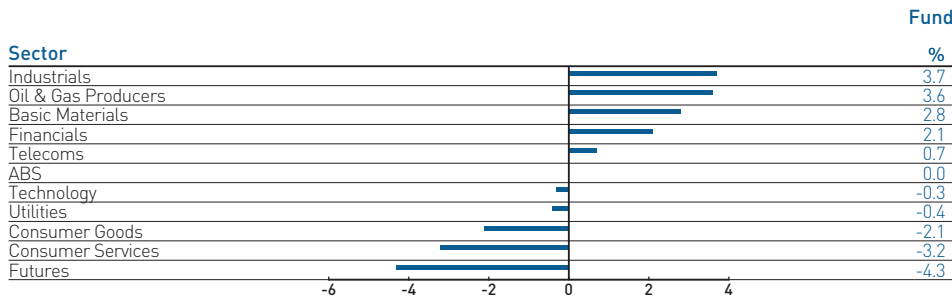
Commodity prices rose over the month, as supply disruptions continued and global growth remained relatively robust. The Fund benefited from its long resources position with notable contributions from Coal of Africa and Sibir Energy. The area of power generation continues to be of interest to the Fund given shrinking global reserve margins and the pressure that high commodity prices place on older plant with low levels of thermal efficiency. We sold one of our holdings exposed to this sector after a period of particularly strong performance.

We continue to find opportunities in the relative part of the Fund, developing strategies within the banking, leisure, life assurance and media sectors. We believe these positions will continue to be an important source of return while helping to maintain risk at low levels.

## 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. ■