



# Interim report

BlackRock Corporate Bond Fund

For the six months ended 31 August 2018

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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\* C L Carter M B Cook (appointed 2 May 2018) W I Cullen\* R A Damm R A R Hayes  
A M Lawrence L E Watkins (appointed 16 May 2018) M T Zemek\*

\* Non-executive Director.

### 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.

\* On 18 June 2018 the Trustee changed from BNY Mellon Trust & Depositary (UK) Limited to The Bank of New York Mellon (International) Limited.

### Investment Manager

BlackRock Investment Management (UK) Limited  
12 Throgmorton Avenue, London EC2N 2DL

Authorised and regulated by the FCA.

### Securities 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.**

## About the Fund

BlackRock Corporate Bond Fund (the "Fund") is a UCITS scheme under the COLL Sourcebook. The Fund was established on 29 June 1995. The Fund was previously known as Mercury High Income Bond Fund, then, with effect from 30 September 2000, Merrill Lynch High Income Bond Fund. On 28 April 2008 the Fund changed its name to BlackRock High Income Bond Fund. The Fund changed its investment objective and policy and adopted its present name with effect from close of business on 17 September 2010. The Fund's FCA product reference number is 172177.

## Investment Objective & Policy

The objective of the Fund is to maximise total return by investing principally in corporate bonds and other interest-bearing securities. Exposure to non-Sterling denominated assets will typically be hedged back to Sterling. Separately, the Fund may also invest in preference shares, convertibles, other transferable securities and collective investment schemes.

## Fund Manager

As at 31 August 2018, the Fund Manager of the Fund is Ben Edwards.

## Significant Events

### Changes in the Directors of the Manager

M B Cook was appointed as a Director effective 2 May 2018. L E Watkins was appointed as a Director effective 16 May 2018.

### Changes to the Trustee

On 18 June 2018 the Trustee changed from BNY Mellon Trust & Depositary (UK) Limited to The Bank of New York Mellon (International) Limited.

### Syndicate Credit Facility

In April 2018, the Fund entered into a credit facility with JPMorgan Chase Bank, N.A. ("JPMorgan") whereby JPMorgan, together with other syndicated lenders, made a USD 1,400 million credit facility available to the Fund and the other syndicated funds. This credit facility may be utilised by the Fund and the other syndicated funds for temporary funding purposes, including, without limitation, the funding of investor redemptions. Any interest and commitment fees in relation to drawdowns from such credit facility are borne out of the net assets of the relevant syndicated Fund. As at 31 August 2018, the Fund did not have any outstanding amounts from such credit facility. The credit facility was not used during the period from 1 March 2018 to 31 August 2018.

## Risk and Reward Profile

Unit Class	Lower risk Typically lower rewards			Higher risk Typically higher rewards			
	←		→				→
A Income	1	2	<b>3</b>	4	5	6	7
A Accumulation	1	2	<b>3</b>	4	5	6	7
D Income	1	2	<b>3</b>	4	5	6	7
D Accumulation	1	2	<b>3</b>	4	5	6	7
S Income	1	2	<b>3</b>	4	5	6	7
S Accumulation	1	2	<b>3</b>	4	5	6	7
X Accumulation	1	2	<b>3</b>	4	5	6	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.
- The use of derivatives will impact the value of the Fund and may expose the Fund to a higher degree of risk. Derivatives are highly sensitive to changes in the value of the asset on which they are based and can increase the size of losses and gains, resulting in greater fluctuations in the value of the Fund. The impact to the Fund can be greater where derivatives are used in an extensive or complex way.

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).

## Performance Table

	For the six months to 31.8.2018	For the three years to 31.8.2018	For the five years to 31.8.2018
<b>TOTAL RETURN (with net income reinvested)</b>			
<b>Class D Accumulation Units</b>			
BlackRock Corporate Bond Fund	<b>+1.2%</b>	+16.6%	+31.6%
Bank of America Merrill Lynch Sterling Corporate & Collateralised Index†	<b>+1.0%</b>	+17.1%	+33.0%
IA Sterling Corporate Bond Sector Median*	<b>+0.7%</b>	+13.8%	+27.1%

All Fund figures quoted are based on bid-to-bid dealing prices (the price at which units are sold) and are calculated net of fees. Performance returns are cumulative.

All returns are in Sterling.

† Figures from Index Vendor.

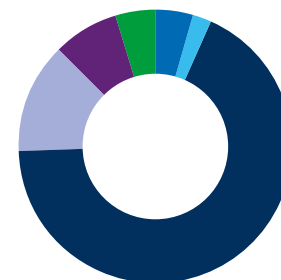
\* IA Sterling Corporate Bond Sector Median is the Fund's peer group benchmark.

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.

## Classification of Investments

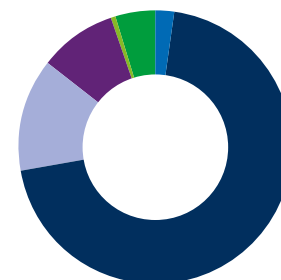
The following charts provide an analysis of the portfolio weightings as at 31 August 2018 and 28 February 2018 by their respective asset types.

### 31 August 2018



- Euro Denominated Fixed Rate Corporate Bonds 4.51%
- Euro Denominated Variable Rate Corporate Bonds 2.42%
- UK Sterling Denominated Fixed Rate Corporate Bonds 67.65%
- UK Sterling Denominated Fixed Rate Government Bonds 13.17%
- UK Sterling Denominated Variable Rate Corporate Bonds 7.69%
- Other 4.56%

### 28 February 2018



- Euro Denominated Fixed Rate Corporate Bonds 2.46%
- UK Sterling Denominated Fixed Rate Corporate Bonds 69.83%
- UK Sterling Denominated Fixed Rate Government Bonds 13.29%
- UK Sterling Denominated Variable Rate Corporate Bonds 9.23%
- US Dollar Denominated Fixed Rate Corporate Bonds 0.69%
- Other 4.50%

## Investment Report

### Summary of Performance over the Period

The Fund returned 1.2%\* over the six-month period to 31 August 2018, outperforming its benchmark, the Bank of America Merrill Lynch Sterling Corporate & Collateralised Index, which returned 1.0%.

The Fund also outperformed its peer group, IA Sterling Corporate Bond Sector Median, which returned 0.7% for the six-month period to 31 August 2018. The Fund was 1st quartile, ranking 8/89 within the IA Sterling Corporate Bond Sector.

At the end of the year, the Fund's income distribution yield was 2.8%.

### Market Review

Over the six-month period, sterling corporate bond markets produced positive returns but underperformed government bonds. Yields, which move inversely to prices, fell across all maturities. The UK 10-year and 30-year gilt yields fell 0.22% and 0.12%, respectively, closing at 1.28% and 1.77%, while the 5-year closed down 0.12% to 1.04%. 30-year breakeven inflation (the difference between the yield on a conventional bond and the real yield on an index linked bond) ended the period down 0.09% at 3.32%. In August, the Bank of England (BoE) voted unanimously to increase the bank rate by 25 basis points to 0.75%. This move was fully anticipated by the market.

### Fund Performance and Activity

The Fund saw positive contributions to relative returns from positioning in the utilities and telecoms sectors, with issuers such as Yorkshire Water Services, Suez and Charter Communications adding value. The financials sector also provided positive issuers such as Citigroup and Goldman Sachs. The Fund's returns were boosted by contributions from corporate hybrids (high quality bonds with both debt and equity characteristics), particularly European corporate hybrids, which offer attractive yield when hedged back to sterling. The Fund's exposure in these securities has grown over the last 3–4 months through issuers such as Orange.

As at the end of the review period, the duration (a measure of the sensitivity of price to a change in yield) in the Fund is at its neutral position of 6.5 years.

### Outlook

Our defensive credit positioning has helped in this year's weaker credit markets. The volatility in the market provided opportunities to add to credit risk at better levels, as we saw the return of new issue premium in the market (such as Bayer and Volkswagen). However, we maintain a defensive positioning in credit. As at the end of August, we have a neutral duration position over the short term. Nevertheless, we are inclined towards a longer duration position for the longer term, given the weak economic backdrop and the uncertainties of Brexit. We continue to selectively add risk at attractive entry levels on the back of idiosyncratic risks and new issues. We maintain a preference for sterling corporate bonds over their US and European counterparts, although euro denominated bond holdings have increased recently due to improving valuations. We have no exposure to US dollar corporate bonds, partly due to prohibitive foreign exchange costs. Overall, we remain focused on good quality investment grade companies, rather than high yield, at this point in the growth cycle.

### September 2018

\* Performance figures quoted are based on bid-to-bid dealing prices (the price at which units are sold). Performance is calculated net of fees and reported for the Fund's class D Accumulation Units.

## Performance Record

### Net Asset Value

At 31 August 2018	Units in Issue	Net Asset Value £000's	Net Asset Value per Unit p
A Income	12,112,174	13,363	110.3
A Accumulation	15,486,337	50,383	325.3
D Income	140,380,691	160,812	114.6
D Accumulation	48,262,719	162,631	337.0
S Income	83,828,649	92,206	110.0
S Accumulation	149,425,623	187,710	125.6
X Accumulation	76,400,812	94,034	123.1

### Distribution Payable for the period to 31 August 2018

Unit Class	Distribution payable on 31.10.2018 Pence per Unit
A Income	0.8457
A Accumulation	2.4741
D Income	0.8775
D Accumulation	2.5607
S Income	0.8425
S Accumulation	0.9546
X Accumulation	0.9346

### Operating Charges

Unit Class	1.3.2018 to 31.8.2018	1.3.2017 to 28.2.2018
A Income	1.08%	1.07%
A Accumulation	1.08%	1.07%
D Income	0.57%	0.57%
D Accumulation	0.57%	0.57%
S Income	0.52%	0.54%
S Accumulation	0.51%	0.52%
X Accumulation	0.02%	0.02%

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 2018

Holding or Nominal Value	Investment	Market Value £000's	% of Total Net Assets
<b>BONDS – 95.44%; 28.2.2018 95.50%</b>			
<b>UK STERLING – 88.51%; 28.2.2018 92.35%</b>			
<b>UK Sterling Denominated Fixed Rate Corporate Bonds – 67.65%; 28.2.2018 69.83%</b>			
£2,040,000	AA Bond 6.269% Bonds 2/7/2043	2,220	0.29
£5,985,000	Anglian Water Services Financing 2.625% Bonds 15/6/2027	5,700	0.75
£6,500,000	Anglian Water Services Financing 4.5% European Medium Term Notes 22/2/2026	7,088	0.93
£6,510,000	Annington Funding 2.646% European Medium Term Notes 12/7/2025	6,471	0.85
£3,673,333	Arqiva Financing 4.882% Bonds 31/12/2032	4,073	0.53
£7,085,000	Bank of America 5.5% Guaranteed Subordinated European Medium Term Bonds 22/11/2021	7,828	1.03
£7,912,000	Bank of Scotland 7.281% Perpetual	9,232	1.21
£8,030,000	Bank of Scotland 9.375% Guaranteed Subordinated Bonds 15/5/2021	9,497	1.25
£8,690,000	Barclays 3.25% European Medium Term Notes 12/2/2027	8,487	1.11
£14,765,000	BAT 2.125% Bonds 15/8/2025	14,303	1.88
£1,722,100	BL Superstores Finance 5.27% Guaranteed Asset Backed Bonds 4/10/2030	1,894	0.25
£12,560,000	British Telecommunications 3.125% European Medium Term Notes 21/11/2031 <sup>o</sup>	12,323	1.62
£3,930,000	Bupa Finance 2% Bonds 5/4/2024	3,902	0.51
£5,585,000	Bupa Finance 5% Subordinated Notes 25/4/2023	6,073	0.80
£6,925,000	Cadent Finance 3.125% European Medium Term Notes 21/3/2040	6,805	0.89
£6,600,000	Centrica 5.25% Subordinated European Medium Term Notes 10/4/2075	6,940	0.91
£6,735,000	Citigroup 6.8% Guaranteed Senior European Medium Term Bonds 25/6/2038	10,218	1.34
£898,061	City Greenwich Lewisham Rail Link 9.375% Bonds 11/10/2020	966	0.13
£3,115,000	Close Brothers 2.75% European Medium Term Notes 26/4/2023	3,126	0.41
£5,440,000	Comcast 5.5% Guaranteed Bonds 23/11/2029	6,865	0.90
£3,550,000	Credit Suisse 2.125% Bonds 12/9/2025	3,410	0.45
£3,660,000	Digital Stout 2.75% Bonds 19/7/2024	3,684	0.48
£2,054,000	Digital Stout 3.3% Bonds 19/7/2029 <sup>o</sup>	2,059	0.27
£4,994,829	Dignity 3.5456% Asset Backed Bonds 31/12/2034	5,294	0.70
£7,203,000	DS Smith 2.875% European Medium Term Notes 26/7/2029	6,957	0.91
£3,365,000	Dwr Cymru Financing 2.5% European Medium Term Notes 31/3/2036	3,295	0.43
£2,360,000	Ei 6% Senior Bonds 6/10/2023 <sup>o</sup>	2,545	0.33
£5,000,000	Ei 6.875% Bonds 15/2/2021	5,409	0.71
£6,555,000	Électricité de France 5.875% Guaranteed Senior European Medium Term Bonds 18/7/2031	8,424	1.11
£1,800,000	Électricité de France 6% Senior European Medium Term Notes 23/1/2114	2,345	0.31

Holding or Nominal Value	Investment	Market Value £000's	% of Total Net Assets
£6,578,000	Eversholt Funding 6.359% Guaranteed Senior European Medium Term Bonds 2/12/2025	8,045	1.06
£7,120,000	Experian Finance 2.125% European Medium Term Notes 27/9/2024	7,098	0.93
£5,130,000	GE Capital UK Funding 5.875% Guaranteed European Medium Term Bonds 18/1/2033	6,780	0.89
£5,500,000	GKN 5.375% Bonds 19/9/2022	6,009	0.79
£5,780,000	Goldman Sachs 3.13% Bonds 25/7/2029	5,719	0.75
£5,410,000	Goldman Sachs 4.25% Senior European Medium Term Notes 29/1/2026	5,921	0.78
£4,910,000	Goldman Sachs 5.5% Guaranteed Subordinated Bonds 12/10/2021	5,411	0.71
£3,009,312	Great Rolling Stock 6.875% Guaranteed Senior European Medium Term Bonds 27/7/2035	3,797	0.50
£4,590,000	Heathrow Funding 6.45% Guaranteed Senior European Medium Term Bonds 10/12/2031 <sup>o</sup>	6,343	0.83
£3,800,000	HSBC 5.75% Guaranteed Subordinated European Medium Term Bonds 20/12/2027	4,534	0.60
£2,500,000	HSBC 6% Guaranteed Subordinated European Medium Term Bonds 29/3/2040	3,171	0.42
£12,875,000	HSBC 2.175% Bonds 27/6/2023	12,880	1.69
£1,200,000	Iberdrola Finanzas 7.375% Guaranteed European Medium Term Bonds 29/1/2024	1,513	0.20
£11,650,000	Imperial Brands Finance 5.5% Guaranteed Senior European Medium Term Notes 28/9/2026	13,689	1.80
£4,709,000	Imperial Brands Finance 8.125% Guaranteed European Medium Term Bonds 15/3/2024	6,037	0.79
£10,925,000	Innogy Finance 6.25% Guaranteed European Medium Term Bonds 3/6/2030	14,431	1.90
£4,372,000	InterContinental Hotels 3.75% European Medium Term Notes 14/8/2025	4,633	0.61
£4,888,000	Intu Metrocentre Finance 4.125% Senior Notes 6/12/2023	5,216	0.69
£2,850,000	KPN 5% Guaranteed Senior European Medium Term Bonds 18/11/2026	3,284	0.43
£3,095,000	Leeds Building Society 3.75% European Medium Term Notes 25/4/2029	2,953	0.39
£1,773,778	Meadowhall Finance 4.986% Guaranteed Mortgage Backed Bonds 12/7/2037	2,141	0.28
£1,191,206	Mitchells & Butlers Finance 5.574% Guaranteed Asset Backed Bonds 15/12/2030	1,351	0.18
£1,988,467	Mitchells & Butlers Finance 5.965% Guaranteed Asset Backed Bonds 15/12/2025	2,155	0.28
£3,881,653	Mitchells & Butlers Finance 6.013% Guaranteed Asset Backed Bonds 15/12/2030	4,450	0.58
£8,910,000	National Westminster Bank 6.5% Guaranteed Subordinated Bonds 7/9/2021	10,002	1.31

**Portfolio Statement** (unaudited) continued

Holding or Nominal Value	Investment	Market Value £000's	% of Total Net Assets
£2,250,000	Next 3.625% Bonds 18/5/2028	2,253	0.30
£3,200,000	Next 4.375% Senior Notes 2/10/2026 <sup>o</sup>	3,426	0.45
£1,840,000	Northern Powergrid 7.25% Guaranteed Senior Bonds 15/12/2022 <sup>o</sup>	2,247	0.30
£4,185,000	Orange 8.125% Guaranteed Senior European Medium Term Bonds 20/11/2028	6,188	0.81
£3,725,000	Pennon 2.875% Perpetual Bonds	3,719	0.49
£4,780,000	PGH Capital 6.625% Bonds 18/12/2025 <sup>o</sup>	5,240	0.69
£3,295,000	Porterbrook Rail Finance 7.125% Guaranteed Senior European Medium Term Bonds 20/10/2026	4,262	0.56
£3,616,000	Prologis 2.25% Bonds 30/6/2029	3,425	0.45
£10,100,000	Santander UK 2.92% European Medium Term Notes 8/5/2026	9,928	1.30
£6,849,000	Scottish Widows 5.5% Bonds 16/6/2023	7,565	0.99
£1,400,000	Severn Trent Utilities Finance 3.625% European Medium Term Bonds 16/1/2026	1,498	0.20
£6,780,000	Society of Lloyd's 4.75% Subordinated Bonds 30/10/2024	7,266	0.95
£1,340,000	Southern Gas Networks 2.5% Senior European Medium Term Bonds 3/2/2025	1,355	0.18
£6,425,000	Southern Gas Networks 3.1% European Medium Term Notes 15/9/2036	6,438	0.85
£3,910,000	SSE 3.625% Bonds 16/9/2077	3,985	0.52
£1,637,618	Telereal Secured Finance 4.01% Asset Backed Notes 10/12/2033	1,736	0.23
£4,803,780	Telereal Securitisation 5.5534% Asset Backed Bonds 10/12/2033	5,715	0.75
£1,184,932	Telereal Securitisation 5.9478% Guaranteed Asset Backed Bonds 10/12/2033	1,441	0.19
£9,248,300	Tesco Property Finance 7.6227% Guaranteed Mortgage Backed Bonds 13/7/2039	12,204	1.60
£4,150,000	Thames Water Utilities 2.625% Bonds 24/1/2032	3,940	0.52
£7,365,000	Thames Water Utilities Cayman Finance 2.375% European Medium Term Notes 3/5/2023	7,184	0.94
£1,790,000	Thames Water Utilities Cayman Finance 3.5% Bonds 25/2/2028	1,890	0.25
£600,000	Thames Water Utilities Finance 6.75% Guaranteed European Medium Term Bonds 16/11/2028	806	0.11
£9,799,000	Time Warner Cable 5.75% Guaranteed Bonds 2/6/2031 <sup>o</sup>	11,218	1.47
£5,040,000	Tritax Big Box REIT 2.625% European Medium Term Notes 14/12/2026	5,002	0.66
£2,830,000	Tritax Big Box REIT 3.125% European Medium Term Notes 14/12/2031	2,809	0.37
£5,628,560	Unique Pub Finance 6.542% Bonds 30/3/2021	5,907	0.78
£2,000,000	Wales & West Utilities Finance 3% European Medium Term Notes 3/8/2038	2,001	0.26

Holding or Nominal Value	Investment	Market Value £000's	% of Total Net Assets
£10,670,000	Walgreens Boots Alliance 3.6% Bonds 20/11/2025 <sup>o</sup>	11,077	1.46
£5,385,000	Wellcome Trust 2.517% Bonds 7/2/2118	5,084	0.67
£12,000,000	Wells Fargo 2% European Medium Term Notes 28/7/2025	11,528	1.51
£5,700,000	Wells Fargo 4.875% Guaranteed Subordinated European Medium Term Bonds 29/11/2035 <sup>o</sup>	6,605	0.87
£6,712,000	Western Power Distribution 3.625% Bonds 6/11/2023	7,045	0.93
£4,000,000	Western Power Distribution West Midlands 3.875% Senior European Medium Term Notes 17/10/2024	4,352	0.57
£1,770,000	Yorkshire Power Finance 7.25% Guaranteed Bonds 4/8/2028	2,480	0.33
£1,870,000	Yorkshire Water Services 3.625% Guaranteed European Medium Term Notes 1/8/2029	2,054	0.27
£8,740,000	Yorkshire Water Services Finance 3.75% European Medium Term Notes 22/3/2046	9,049	1.19
		<b>514,918</b>	<b>67.65</b>
<b>UK Sterling Denominated Fixed Rate Government Bonds – 13.17%; 28.2.2018 13.29%</b>			
£40,589,000	Treasury 2% Gilts 7/9/2025 <sup>o</sup>	42,855	5.63
£45,447,000	Treasury 2.25% Gilts 7/9/2023	48,113	6.32
£6,725,000	Treasury 4.25% Gilts 7/3/2036	9,314	1.22
		<b>100,282</b>	<b>13.17</b>
<b>UK Sterling Denominated Variable Rate Corporate Bonds – 7.69%; 28.2.2018 9.23%</b>			
£7,875,000	AA Bond 2.75% Variable Rate Bonds 31/7/2043	7,367	0.97
£2,300,000	Aviva 6.125% Guaranteed Perpetual Bonds	2,515	0.33
£3,210,000	Aviva 6.625% Guaranteed Subordinated Floating Rate European Medium Term Bonds 3/6/2041	3,523	0.46
£3,070,000	AXA 5.453% Subordinated Perpetual Floating Rate Notes	3,306	0.43
£2,350,000	Clerical Medical Finance 7.375% Bonds Perpetual Floating Rate Bonds	2,431	0.32
£7,800,000	Électricité de France 5.875% Perpetual Subordinated Floating Rate European Medium Term Notes	7,772	1.02
£2,200,000	ELM 6.3024% Guaranteed Perpetual Floating Rate European Medium Term Bonds	2,247	0.30
£6,666,638	Greene King Finance 3.13075% Floating Rate Asset Backed European Medium Term Notes 15/12/2033	6,667	0.88
£4,500,000	Legal & General 5.875% Guaranteed Perpetual Subordinated Floating Rate European Medium Term Bonds	4,580	0.60
£10,160,000	NGG Finance 5.625% Floating Rate Notes 18/6/2073	11,132	1.46
£2,510,000	Southern Water Services Finance 4.5% Senior Floating Rate European Medium Term Bonds 31/3/2038	2,667	0.35
£3,260,000	Thames Water Utilities Cayman Finance 5.75% Floating European Medium Term Bonds 13/9/2030	3,617	0.48
£667,000	Wales & West Utilities Finance 6.75% Guaranteed Floating Rate European Medium Term Notes 17/12/2036	675	0.09
		<b>58,499</b>	<b>7.69</b>

## Portfolio Statement (unaudited) continued

Holding or Nominal Value Investment	Market Value £000's	% of Total Net Assets
<b>EURO – 6.93%; 28.2.2018 2.46%</b>		
<b>Euro Denominated Fixed Rate Corporate Bonds – 4.51%; 28.2.2018 2.46%</b>		
€3,080,000 BHP Billiton Finance 5.625% Bonds 22/10/2079	3,248	0.43
€7,230,000 Citigroup 1.5% European Medium Term Notes 24/7/2026	6,469	0.85
€8,800,000 General Electric 1.5% Bonds 17/5/2029	7,656	1.01
€3,000,000 Intesa Sanpaolo 1.75% Bonds 20/3/2028	2,383	0.31
€6,000,000 Suez 2.875% Perpetual Bonds	5,430	0.71
€2,800,000 Unibail-Rodamco SE 2.125% Perpetual Bonds	2,465	0.32
€7,500,000 Volkswagen International Finance 4.625% Perpetual Bonds	6,713	0.88
€1,100,000 Winstar Communications 12.75% Senior Notes 15/4/2010 <sup>^</sup>	–	0.00
	<b>34,364</b>	<b>4.51</b>
<b>Euro Denominated Variable Rate Corporate Bonds – 2.42%; 28.2.2018 0.00%</b>		
€2,565,000 Bayer 2.375% Floating Rate Bonds 2/4/2075	2,255	0.30
€3,800,000 ENGIE 3.875% Perpetual Subordinated Variable Rate Notes	3,623	0.47
€12,710,000 Orange 5% Perpetual Floating Rate European Medium Term Notes	12,540	1.65
	<b>18,418</b>	<b>2.42</b>
<b>US DOLLAR – 0.00%; 28.2.2018 0.69%</b>		
<b>US Dollar Denominated Fixed Rate Corporate Bonds – 0.00%; 28.2.2018 0.69%</b>		
<b>DERIVATIVES – (0.65%); 28.2.2018 0.16%</b>		
<b>Credit Default Swaps – (0.52%); 28.2.2018 (0.03%)</b>		
45,235,000 Goldman Sachs International (iTraxx) 5% 20/6/2023	(3,961)	(0.52)
<b>Forward Currency Contracts – (0.12%); 28.2.2018 0.19%</b>		
€12,950,000 Euro vs UK sterling	229	0.03
£64,766,621 UK sterling vs Euro	(1,026)	(0.13)
£4,623,283 UK sterling vs US dollar	(142)	(0.02)
	<b>(939)</b>	<b>(0.12)</b>
<b>Futures – (0.02%); 28.2.2018 0.01%</b>		
(47) Euro-Bobl September 2018	(31)	0.00
(247) Euro-Bund September 2018	(178)	(0.02)
267 Long Gilt December 2018	(34)	0.00
110 US 10 Year Note (CBT) December 2018	21	0.00
432 US 2 Year Note (CBT) December 2018	21	0.00
(70) US Ultra Bond (CBT) December 2018	1	0.00
	<b>(200)</b>	<b>(0.02)</b>

Holding or Nominal Value Investment	Market Value £000's	% of Total Net Assets
<b>Interest Rate Swaps – 0.01%; 28.2.2018 (0.01)%</b>		
4,000,000 Morgan Stanley International (UK sterling) 1.589% vs Variable 2/2/2068	(43)	(0.01)
13,670,000 Morgan Stanley International (UK sterling) 1.66% vs Variable 2/2/2028	149	0.02
	<b>106</b>	<b>0.01</b>
<b>OTHER – 0.00%; 28.2.2018 0.00%</b>		
<b>Preference Shares – 0.00%; 28.2.2018 0.00%</b>		
27,280 47210 Limited (preference shares) <sup>^^</sup>	–	0.00
<b>Portfolio of investments</b>	<b>721,487</b>	<b>94.79</b>
<b>CASH EQUIVALENTS</b>		
<b>Short-term Money Market Funds – 1.81%; 28.2.2018 2.86%</b>		
13,767,768 Institutional Cash Series plc – Institutional Sterling Liquidity Fund*	13,768	1.81
Net other assets	25,884	3.40
<b>Total net assets</b>	<b>761,139</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>o</sup> All or a portion of this investment represents a security on loan.

The counterparties for the forward currency contracts are Bank of America Merrill Lynch, BNP Paribas AG, Goldman Sachs International, HSBC Bank Plc, Royal Bank of Scotland Plc, State Street Global Advisors Limited, Toronto-Dominion Bank, Société Générale SA and UBS AG.

<sup>^</sup> Defaulted and fair valued at nil.

<sup>^^</sup> Delisted and fair valued at nil.

\* Managed by a related party.



## Statement of Total Return (unaudited)

for the six months ended 31 August 2018

	£000's	31.8.2018 £000's	£000's	31.8.2017 £000's
Income				
Net capital (losses)/gains		(1,695)		10,960
Revenue	10,809		8,326	
Expenses	(1,888)		(1,375)	
Interest payable and similar charges	(106)		(154)	
Net revenue before taxation	8,815		6,797	
Taxation	–		(12)	
Net revenue after taxation		8,815		6,785
Total return before distributions		7,120		17,745
Distributions		(10,703)		(8,160)
<b>Change in net assets attributable to unitholders from investment activities</b>		<b>(3,583)</b>		<b>9,585</b>

## Statement of Change in Net Assets Attributable to Unitholders

(unaudited) for the six months ended 31 August 2018

	£000's	31.8.2018 £000's	£000's	31.8.2017 £000's
<b>Opening net assets attributable to unitholders</b>		666,566		492,607
Amounts receivable on issue of units	186,773		109,973	
Amounts payable on cancellation of units	(95,702)		(80,727)	
		91,071		29,246
Change in net assets attributable to unitholders from investment activities		(3,583)		9,585
Retained distribution on accumulation units		7,080		6,153
Unclaimed distributions over 6 years old		5		8
<b>Closing net assets attributable to unitholders</b>		<b>761,139</b>		<b>537,599</b>

The above statement shows the comparative closing net assets at 31 August 2017 whereas the current accounting period commenced 1 March 2018.

## Balance Sheet (unaudited)

at 31 August 2018

	31.8.2018 £000's	28.2.2018 £000's
<b>Assets:</b>		
Fixed assets		
– Investment assets	726,902	640,188
Current assets		
– Debtors	14,457	14,918
– Cash and bank balances	13,332	2,880
– Cash equivalents	13,768	19,041
– Cash collateral posted	2,504	260
<b>Total assets</b>	<b>770,963</b>	<b>677,287</b>
<b>Liabilities:</b>		
Investment liabilities	(5,415)	(2,520)
Creditors		
– Amounts held at futures clearing houses and brokers	(36)	(27)
– Cash collateral payable	–	(750)
– Distributions payable	(2,040)	(1,735)
– Other creditors	(2,333)	(5,689)
<b>Total liabilities</b>	<b>(9,824)</b>	<b>(10,721)</b>
<b>Net assets attributable to unitholders</b>	<b>761,139</b>	<b>666,566</b>

G D Bamping (Director)  
M T Zemek (Director)  
BlackRock Fund Managers Limited  
30 October 2018

## Notes to Financial Statements (unaudited)

for the six months ended 31 August 2018

### Accounting Policies

The financial statements have been prepared in accordance with 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 2018 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 and the Prospectus, employ techniques and instruments relating to transferable securities, including investments in Over-the-Counter Financial Derivative Instruments ("OTC FDIs") provided that such techniques and instruments are used for efficient portfolio management purposes or to provide protection against exchange rate risk or for direct investment purposes, where applicable.

In addition to the investments in OTC FDIs, the Fund may employ other techniques and instruments relating to transferable securities and money market instruments, subject to the conditions set out in the Prospectus, as amended from time to time, and the relevant ESMA Guidelines, such as repurchase / reverse repurchase transactions ("repo transactions") and securities lending.

### Securities Lending

Securities lending transactions entered into by the Fund are subject to a written legal agreement between the Fund and the Securities Lending Agent, BlackRock Advisors (UK) Limited, a related party to the Fund, and separately between the Securities 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 Lending Agent.

The following table details the value of securities on loan as a proportion of the Fund's total lendable assets and NAV as at 31 August 2018 and the income earned for the period ended 31 August 2018. 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
9.49	8.03	63

The total income earned from securities lending transactions is split between the Fund and the Securities Lending Agent. The Fund receives 62.5% while the Securities Lending Agent receives 37.5% of such income, with all operational costs borne out of the Securities Lending Agent's share.

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

## 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 2018.

Counterparty	Counterparty's country of establishment	Securities Lending	
		Amount on loan	Collateral received
		£000's	£000's
BNP Paribas Arbitrage SNC	France	2,792	2,908
Citigroup Global Markets Limited	UK	26,085	27,130
Goldman Sachs International	UK	1,438	1,501
J.P. Morgan Securities Plc	UK	18,827	19,582
Merrill Lynch International	UK	382	1,006
Morgan Stanley & Co International Plc	UK	8,668	9,095
Nomura International Plc	UK	552	617
UBS AG	Switzerland	2,393	2,492
<b>Total</b>		<b>61,137</b>	<b>64,331</b>

### Collateral

The following table provides an analysis by currency of the underlying 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 2018.

Currency	Non-cash collateral received
£000's	
CAD	20
CHF	106
DKK	1,687
EUR	43,963
GBP	8,002
NOK	4,503
SEK	30
USD	6,020
<b>Total</b>	<b>64,331</b>

The Fund is the legal owner of inbound collateral and can sell the assets and withhold the cash in the case of default.

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 following table provides an analysis of the type, quality and maturity tenor of non-cash collateral received by the Fund by way of title transfer collateral arrangement in respect of securities lending transactions as at 31 August 2018.

Collateral type and quality	Maturity Tenor					Total
	8 - 30 days	31 - 90 days	91 - 365 days	More than 365 days	Open transactions	
		£000's	£000's	£000's	£000's	£000's
<b>Collateral received</b>						
<b>Fixed Income</b>						
Investment grade	3	185	3,532	60,611	–	64,331
<b>Total</b>	<b>3</b>	<b>185</b>	<b>3,532</b>	<b>60,611</b>	<b>–</b>	<b>64,331</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.

The maturity tenor analysis for fixed income securities received as collateral is based on the respective contractual maturity date.

As at 31 August 2018, 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), with the exception of the amounts disclosed in the following table which are held through a securities settlement system.

Custodian	Non-cash collateral received
	Securities lending
£000's	
Euroclear Bank SA/NV	53,735

## Supplementary Information continued

The following table lists the ten largest issuers by value of non-cash collateral received by the Fund by way of title transfer collateral arrangement across securities lending transactions as at 31 August 2018.

Issuer	Value	% of the Fund's NAV
	£000's	
Republic of Finland	9,295	1.22
Federal Republic of Germany	9,193	1.21
UK Government	7,664	1.01
Republic of France	7,495	0.98
US Treasury	6,020	0.79
Kingdom of Belgium	5,898	0.78
Republic of Austria	5,468	0.72
Kingdom of Netherlands	4,572	0.60
Kingdom of Norway	4,503	0.59
KFW	2,380	0.31
Other issuers	1,843	0.24
<b>Total</b>	<b>64,331</b>	<b>8.45</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 2018, the firm manages £4.94 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. Through BlackRock Solutions, the Firm provides risk management and enterprise investment services for over 200 clients.

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 30 countries around the world.

## Want to know more?

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