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# **Interim report and unaudited financial statements**

BlackRock Corporate Bond Fund

For the financial period ended 31 August 2020

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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\*   M B Cook   W I Cullen\*   R A R Hayes   A M Lawrence   L E Watkins   M T Zemek\*   H N Mepham

## 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.

## 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  
Telephone: 020 7743 3000  
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 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.

## Assessment of value

The FCA has introduced new requirements for UK authorised fund managers to consider whether the charges taken from a fund they manage are justified in the context of the overall service and value offered by that fund, and to report on those findings. BlackRock is preparing for the reporting requirement, including assessing relevant charges, and will be publishing the assessment of value statements no later than 31 October 2020 in a composite report for all funds managed by BlackRock Fund Managers Limited subject to these requirements.

## Fund Manager

As at 31 August 2020, the Fund Manager of the Fund is Ben Edwards.


## Significant Events

### Outbreak of COVID-19

An outbreak of an infectious respiratory illness caused by a novel coronavirus known as COVID-19 was first detected in China in December 2019 and has now developed into a global pandemic. The impact of this significant event on the Fund's financial risk exposure is disclosed in Note 2.

The Manager has assessed the impact of market conditions arising from the COVID-19 outbreak on the Fund's ability to meet its investment objectives. Based on the latest available information, the Fund continues to be managed in line with its investment objective, with no disruption to the operations of the Fund and the publication of net asset values.

## Risk and Reward Profile

	Lower risk Typically lower rewards				Higher risk Typically higher rewards		
Unit Class							
A Income	1	2	3	4	5	6	7
A Accumulation	1	2	3	4	5	6	7
X Accumulation	1	2	3	4	5	6	7
D Income	1	2	3	4	5	6	7
D Accumulation	1	2	3	4	5	6	7
S Income	1	2	3	4	5	6	7
S Accumulation	1	2	3	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).

# Investment Report

for the six months ended 31 August 2020

## 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 and/or income received from those assets) (gross of fees) by investing in corporate bonds and other interest-bearing securities.

Comparator benchmark	Investment management approach
Bank of America Merrill Lynch Sterling Corporate & Collateralised 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 2020.

The returns disclosed are the performance returns for the primary unit class of the Fund, net of fees, 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 return %	Comparator benchmark %
Class D Accumulation Units	2.24	1.61

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.

## Global Economic Overview

Global equities, as represented by the MSCI All Country World Index ("ACWI") (in sterling terms), posted a return of 9.92% for the six months ended 31 August 2020. The period began as many nations moved into lockdowns to arrest the advance of the COVID-19 pandemic and as financial markets weighed the consequences of draconian social restrictions. These provoked a severe global economic downturn and a rise in unemployment despite many governments' best efforts to subsidise workers and help employers. From late March to May however, equities regained a significant portion of their losses as aggressive policy responses from governments and central banks, the phased reopening of economies around the world, and new COVID-19 treatments raised hopes for an economic recovery. By the end of the reporting period, some indices touched all-time highs, even as economic data continued to indicate substantial weakness.

Looking at currencies, the US dollar declined against most global currencies, particularly late in the reporting period, reflecting unprecedented monetary stimulus, record low interest rates and the rapid spread of the COVID-19 infections early in the period. The euro, the sterling, and the Japanese yen all advanced against the US dollar.

Economic conditions during the reporting period were substantially weakened by the travel and business restrictions put in place to counteract the spread of the COVID-19 virus. This disruption led to a significant economic contraction, and the US economy shrank by an annualised 5% in the first quarter of 2020 and a record 33% in the second quarter of 2020. The economies of the eurozone and Japan fell into recession, while the Chinese economy returned to growth in the second quarter of 2020, raising hopes for recovery in the region.

# Investment Report continued

Bond performance was volatile following the COVID-19 outbreak and initially diverged based on credit quality, as US treasuries posted the strongest performance while corporate and emerging market bonds underperformed the broader bond market. The demand for less risky assets drove the yield (which moves inversely to the price) on the 10-year US Treasury which is a benchmark lending rate for the bond market, to an all-time low in March 2020.

However, after yields rose sharply in the corporate bond market, the Federal Reserve ("the Fed") announced in late March 2020 that it would implement an unprecedented corporate bond purchasing facility, which provided significant support to US corporate bond prices. Yields on corporate bonds fell throughout the rest of the reporting period, and both investment-grade and high-yield bonds posted positive returns overall.

Equities in emerging markets advanced significantly during the reporting period. These equities were initially among the most affected by the COVID-19 pandemic, as lockdowns and factory closures in China weighed on Chinese markets. Many of the emerging Asian economies that have significant trade with China also suffered significant supply and demand shocks. However, emerging market equities rebounded as infection rates slowed and economies reopened, and China reported economic data indicating a strong recovery. Emerging market bond prices, which fell sharply in March 2020, posted a positive return for the 6-month period, recovering due to optimism about the pace of the economic recovery.

In the commodities market, gold prices rose to an all-time high amid geopolitical tensions and a move towards less risky assets due to the outbreak of COVID-19. Oil prices fell to a 21-year low in April 2020 amid deteriorating demand and a supply dispute between major oil producing nations, although prices recovered somewhat throughout May and June 2020.

Governments responded to the economic slowdown with both fiscal and monetary stimulus. The US authorised more than \$2 trillion in stimulus payments to businesses and individuals, and many other countries around the world also passed stimulus measures. The Fed instituted two emergency interest rate cuts and, along with other influential central banks, implemented a major bond buying program to stabilise debt markets. The synchronised economic stimulus ultimately jumpstarted economic growth and supported risk taking in global markets.

## Fund Performance Review and Activity

Over the six-month period to 31 August 2020, the Fund's active return was 0.63%, outperforming its comparator benchmark (active return is the difference between the Fund's return and the comparator benchmark return). The Fund return during this period was 2.24% and the comparator benchmark return during the same period was 1.61%.

The Fund outperformed its peer group, Investment Association ("IA") Sterling Corporate Bond Sector Median, which returned 1.28% for the six-month period to 31 August 2020, compared with a Fund return of 2.24% over the same period.

As at 31 August 2020, the Fund's income distribution yield was 2.1%.

COVID-19 updates dominated United Kingdom ("UK") headlines throughout the six-month period as both investors and the general population tried to comprehend prolonged lockdown measures and a raft of associated unknown economic consequences. The potential economic damage from the COVID-19 drove wild swings in financial markets in March amid a depth of risk-off fear not seen since the global financial crisis. Throughout March we witnessed unprecedented levels of volatility (market ups and downs) and widening credit spreads (the difference in yield between government and corporate bonds with similar maturities) as Europe became the epicenter of the COVID-19 outbreak.

# Investment Report continued

Despite the challenging backdrop, risk markets started to recover in April with sterling credit spreads tighter by the end of the month. Sterling credit markets continued this tightening path throughout May and June. This impressive improvement in risk sentiment was a product of the dramatic support as central banks and governments sought to underwrite the economy and replace the private sector credit demand. In July and August, we saw sterling credit markets continue to tighten (credit crunch), albeit at a slower pace compared to the second quarter.

Across the curve, 5-year, 10-year and 30-year UK gilt yields ended the six-month period lower, falling to 0.00%, 0.31% and 0.87%, respectively.

In early August, the Bank of England's ("BoE") Monetary Policy Committee ("MPC") voted unanimously to maintain bank rate at 0.1%. In addition, the MPC will continue with existing UK government bond and sterling non-financial investment grade bond purchases, targeting a total of EUR745 Billion. For the time being, the MPC have not ruled out negative rates but it would appear that any move towards this policy tool would likely be tentative in nature under the current environment. The BoE will continue to review the appropriateness of negative rates alongside the broader tool kit, which includes asset purchases and forward guidance.

The UK composite purchasing managers' index increased to 59.1 in August from 57 in July, the reading shows an expansion in business activity as the UK economy opens and consumer and business spending increases.

UK retail sales volume for July increased by 3.6% compared with June and is now above pre-pandemic levels seen in February. Food store sales and non-store retailing had high sales levels despite small contractions during July. Fuel sales continue to improve but are still 11.7% lower prior to lockdown in March. This shows that not all store types have experienced a significant bounce back of the same magnitude. While the proportion spent online fell by 7% during July, online sales are still 50.4% higher than pre-pandemic levels; a shift which may have a significant impact on the future of UK high streets.

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	
Strategy	Effect on Fund return	Strategy	Effect on Fund return
Credit Positioning ^	0.98%	Curve Positioning ^	-0.19%
Duration Positioning ^	0.04%		

^ Underweight position - holds less exposure than the benchmark.

The Corporate Bond Fund delivered a total net return of 2.24% over the six-month period ending 31st August, outperforming the ICE BofAML Sterling Corporate & Collateralized Index. With the rally in government bonds over this time frame, the decision to be short duration versus our neutral duration positioning hasn't been optimal. However, our defensive (maintaining the intended asset allocation) credit positioning and subsequent addition to credit risk in March and April did well. Telecommunications and industrials were key credit contributors over the period in which the Fund generated an excess credit return of 0.98%.



# Investment Report continued

The following table details the significant active positions, where the Fund is overweight (holds more exposure than the comparator benchmark) and underweight (holds less exposure than the comparator benchmark), at 31 August 2020 and 29 February 2020:

Top overweight positions			
31 August 2020		29 February 2020	
Sector	Active Weighting	Sector	Active Weighting
Government	6.52%	Governments	10.77%
Non-Financials	0.93%		

Top underweight positions			
31 August 2020		29 February 2020	
Sector	Active Weighting	Sector	Active Weighting
Financials	7.42%	Financials	9.66%
Collateralized	3.98%	Non-Financials	2.83%
		Collateralized	1.25%

Collateralized includes securitized issues such as asset backed, and mortgage backed securities.

During the six-month period we added to euro and dollar denominated corporate bonds when volatility was high. Whilst these changes were significant, the portfolio composition at the start and end of the period was similar and we were back to our defensive credit positioning at the end of the time frame. We favour defensive issuers with robust business operations, who can demonstrate resilience during both the near-term and the longer-term post COVID-19 road to economic recovery. Our preference remains to seek alpha versus beta (generic market returns). We continue to selectively add risk at attractive entry levels off the back of market dislocations and add high quality new issues which we feel offer value, as firms access funding in primary markets. We prefer core sterling denominated bonds; however, whilst yields on European assets have reduced for the sterling investor, we still have exposure in longer dated European investment grade bonds, which have the potential to provide material capital appreciation over the short term.

# Performance Record

## Net Asset Value

At 31 August 2020	Units in Issue	Net Asset Value £000's	Net Asset Value per Unit p
A Income	11,578,053	13,478	116.4
A Accumulation	16,650,484	60,306	362.2
X Accumulation	68,069,767	95,255	139.9
D Income	226,167,851	276,152	122.1
D Accumulation	69,500,218	263,351	378.9
S Income	194,100,651	227,794	117.4
S Accumulation	212,697,039	300,760	141.4

## Distributions Payable for the period to 31 August 2020

Unit Class	Distribution payable on 31.10.2020 Pence per Unit
A Income	0.6479
A Accumulation	2.0039
X Accumulation	0.7731
D Income	0.6791
D Accumulation	2.0949
S Income	0.6526
S Accumulation	0.7817

## Operating Charges

Unit Class	1.3.2020 to 31.8.2020	1.3.2019 to 29.2.2020
A Income	1.08%	1.07%
A Accumulation	1.08%	1.07%
X Accumulation	0.03%	0.02%
D Income	0.58%	0.57%
D Accumulation	0.58%	0.57%
S Income	0.53%	0.52%
S Accumulation	0.53%	0.52%

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 2020

Holding or Nominal Value	Investment	Market Value £000's	% of Total Net Assets
<b>BONDS – 90.77%; 29.2.2020 96.90%</b>			
<b>UK STERLING – 79.43%; 29.2.2020 85.85%</b>			
<b>UK Sterling Denominated Corporate Bonds – 70.06%; 29.2.2020 76.23%</b>			
£8,695,000	Anglian Water Services Financing 2.625% 15/6/2027	8,731	0.71
£6,870,000	Anglian Water Services Financing 2.75% 26/10/2029	7,674	0.62
£6,660,000	Anglian Water Services Financing 4.5% 22/2/2026	7,345	0.59
£6,610,000	Annington Funding 2.646% 12/7/2025	7,044	0.57
£3,916,666	Arqiva Financing 4.882% 31/12/2032	4,456	0.36
£13,100,000	AT&T 5.5% 15/3/2027	16,358	1.32
£7,000,000	Aviva 6.125% Perpetual 29/9/2168	7,666	0.62
£8,500,000	Banco Santander 1.75% 17/2/2027	8,415	0.68
£11,007,000	Bank of Scotland 7.281% Perpetual 30/11/2168	12,665	1.02
£17,700,000	Banque Federative du Credit Mutuel 1.25% 5/12/2025	18,104	1.46
£6,315,000	Barclays 3% 8/5/2026	6,753	0.55
£3,835,000	BAT Capital 2.125% 15/8/2025	3,959	0.32
£10,805,000	BAT International Finance 2.25% 26/6/2028	10,813	0.87
£15,983,000	BAT International Finance 4% 4/9/2026	17,936	1.45
£7,340,000	BP Capital Markets 1.827% 8/9/2025	7,701	0.62
£8,440,000	BP Capital Markets 4.25% Perpetual 22/6/2169	8,946	0.72
£13,740,000	British Telecommunications 3.125% 21/11/2031	15,343	1.24
£24,620,000	BUPA Finance 1.75% 14/6/2027	24,796	2.00
£9,870,000	BUPA Finance 5% 25/4/2023	10,619	0.86
£1,365,000	BUPA Finance 5% 8/12/2026	1,544	0.12
£6,000,000	Cadent Finance 2.625% 22/9/2038	6,571	0.53

Holding or Nominal Value	Investment	Market Value £000's	% of Total Net Assets
£6,060,000	Centrica 5.25% 10/4/2075	6,507	0.53
£144,848	City Greenwich Lewisham Rail Link 9.375% 11/10/2020	146	0.01
£10,000,000	Comcast 1.5% 20/2/2029	10,214	0.83
£7,400,000	Comcast 1.875% 20/2/2036	7,618	0.62
£4,650,000	Credit Suisse 2.125% 12/9/2025	4,804	0.39
£3,900,000	Diageo Finance 1.75% 12/10/2026	4,129	0.33
£3,660,000	Digital Stout 2.75% 19/7/2024	3,916	0.32
£6,130,993	Dignity Finance 3.5456% 31/12/2034	6,423	0.52
£4,510,000	Dignity Finance 4.6956% 31/12/2049	3,453	0.28
£7,648,000	DS Smith 2.875% 26/7/2029	7,780	0.63
£19,400,000	Electricite de France 5.875% Perpetual 22/7/2169	20,928	1.69
£7,120,000	Experian Finance 2.125% 27/9/2024	7,520	0.61
£9,135,000	Fidelity National Information Services 2.602% 21/5/2025	9,845	0.80
£2,200,000	Fidelity National Information Services 3.36% 21/5/2031	2,541	0.21
£2,330,000	Firstgroup 6.875% 18/9/2024	2,507	0.20
£4,045,000	Fiserv 2.25% 1/7/2025	4,296	0.35
£8,700,000	Fiserv 3% 1/7/2031	9,763	0.79
£3,205,000	Gatwick Funding 2.875% 5/7/2051	2,884	0.23
£4,000,000	Gatwick Funding 4.625% 27/3/2036	4,610	0.37
£3,194,000	General Motors Financial 2.35% 3/9/2025	3,165	0.26
£7,745,000	GKN 5.375% 19/9/2022	8,022	0.65
£11,500,000	GlaxoSmithKline Capital 1.625% 12/5/2035	11,648	0.94
£9,000,000	Glencore Finance Europe 3.125% 26/3/2026 <sup>Q</sup>	9,442	0.76
£13,145,000	Goldman Sachs 4.25% 29/11/2026	15,153	1.22
£2,667,204	Great Rolling Stock 6.875% 27/7/2035	3,385	0.27
£7,829,872	Greene King Finance 2.69325% 15/12/2033	6,735	0.54
£6,175,000	Heathrow Funding 6.45% 10/12/2031	8,583	0.69
£4,675,000	Heathrow Funding 6.75% 3/12/2028	5,850	0.47
£14,920,000	HSBC 6% 29/3/2040	19,800	1.60
£17,255,000	Imperial Brands Finance 5.5% 28/9/2026	20,776	1.68
£11,305,000	innogy Finance 6.25% 3/6/2030	15,907	1.29

# Portfolio Statement (unaudited) continued

Holding or Nominal Value	Investment	Market Value £000's	% of Total Net Assets	Holding or Nominal Value	Investment	Market Value £000's	% of Total Net Assets
£8,083,000	Intu Metrocentre Finance 4.125% 6/12/2028 <sup>Q</sup>	4,180	0.34	£22,678,190	Tesco Property Finance 1 7.6227% 13/7/2039	33,735	2.73
£3,300,000	Legal & General 5.125% 14/11/2048	3,776	0.31	£13,565,000	Thames Water Utilities Finance 2.875% 3/5/2027	13,500	1.09
£6,130,000	Lloyds Bank 9.625% 6/4/2023	7,370	0.60	£4,817,000	Thames Water Utilities Finance 4% 19/6/2025	5,462	0.44
£2,495,000	London Power Networks 2.625% 1/3/2029	2,741	0.22	£4,985,000	Thames Water Utilities Finance 5.75% 13/9/2030	5,262	0.43
£1,591,040	Meadowhall Finance 4.986% 12/7/2037	1,922	0.16	£19,724,000	Time Warner Cable 5.75% 2/6/2031	25,035	2.02
£18,586,000	Metropolitan Life Global Funding I 1.625% 21/9/2029	19,238	1.55	£7,085,000	Tritax Big Box REIT 2.625% 14/12/2026	7,602	0.61
£1,002,722	Mitchells & Butlers Finance 5.574% 15/12/2030	1,083	0.09	£1,607,375	Unique Pub Finance 5.659% 30/6/2027	1,662	0.13
£588,520	Mitchells & Butlers Finance 5.965% 15/12/2025	602	0.05	£2,870,000	United Utilities Water Finance 2.625% 12/2/2031	3,265	0.26
£8,642,896	Mitchells & Butlers Finance 6.013% 15/12/2030	9,153	0.74	£3,385,000	University of Oxford 2.544% 8/12/2117	4,687	0.38
£8,910,000	National Westminster Bank 6.5% 7/9/2021	9,374	0.76	£10,385,000	Verizon Communications 2.5% 8/4/2031	11,469	0.93
£13,840,000	Nationwide Building Society 1% 24/1/2023	13,965	1.13	£8,000,000	Walgreens Boots Alliance 3.6% 20/11/2025	8,481	0.69
£17,775,000	New York Life Global Funding 1.25% 17/12/2026	18,305	1.48	£25,650,000	Wells Fargo & 2% 28/7/2025	26,715	2.16
£10,125,000	NGG Finance 5.625% 18/6/2073	11,652	0.94	£6,735,000	Wells Fargo & 2.125% 24/9/2031	6,956	0.56
£4,560,000	NIE Finance 2.5% 27/10/2025	4,901	0.40	£7,050,000	Wells Fargo & 4.875% 29/11/2035	9,153	0.74
£6,295,000	Porterbrook Rail Finance 7.125% 20/10/2026	8,054	0.65	£9,866,000	Western Power Distribution 3.5% 16/10/2026	10,854	0.88
£8,960,000	Quadgas Finance 3.375% 17/9/2029	9,415	0.76	£6,852,000	Western Power Distribution 3.625% 6/11/2023 <sup>Q</sup>	7,284	0.59
£10,100,000	Santander UK 2.92% 8/5/2026	10,693	0.86	£3,015,000	Yorkshire Building Society 3% 18/4/2025	3,191	0.26
£6,849,000	Scottish Widows 5.5% 16/6/2023	7,521	0.61	£11,125,000	Yorkshire Water Finance 3.75% 22/3/2046	11,459	0.93
£12,000,000	Siemens Financieringsmaatschappij 1% 20/2/2025	12,276	0.99	£2,413,000	Zurich Finance UK 6.625% Perpetual 2/10/2168	2,672	0.22
£4,200,000	Sky 6% 21/5/2027	5,570	0.45				
£6,780,000	Society of Lloyd's 4.75% 30/10/2024 <sup>Q</sup>	7,270	0.59			<b>866,705</b>	<b>70.06</b>
£12,070,000	Southern Water Services Finance 2.375% 28/5/2028	12,315	1.00	<b>UK Sterling Denominated Government Bonds – 9.37%; 29.2.2020 9.62%</b>			
£5,725,000	SSE 3.625% 16/9/2077	5,854	0.47	£42,010,000	United Kingdom Gilt 0.875% 22/10/2029 <sup>Q</sup>	44,314	3.58
£7,275,000	SSE 3.74% Perpetual 14/4/2169	7,566	0.61	£14,530,000	United Kingdom Gilt 1.25% 22/7/2027 <sup>Q</sup>	15,668	1.27
£1,824,748	Telereal Secured Finance 4.01% 10/12/2033	1,988	0.16	£12,215,000	United Kingdom Gilt 1.75% 22/1/2049 <sup>Q</sup>	14,858	1.20
£4,561,956	Telereal Securitisation 5.5534% 10/12/2033	5,484	0.44	£19,570,000	United Kingdom Gilt 4.25% 7/9/2039	31,644	2.56
£1,046,774	Telereal Securitisation 5.9478% 10/12/2033	1,274	0.10				
£2,770,000	Tesco Corporate Treasury Services 2.75% 27/4/2030	2,930	0.24				

# Portfolio Statement (unaudited) continued

Holding or Nominal Value	Investment	Market Value £000's	% of Total Net Assets
£6,540,000	United Kingdom Gilt 4.75% 7/12/2030 <sup>9</sup>	9,467	0.76
		<b>115,951</b>	<b>9.37</b>

## EURO – 11.34%; 29.2.2020 11.05%

### Euro Denominated Corporate Bonds – 11.34%; 29.2.2020 11.05%

€8,100,000	Abertis Infraestructuras 2.375% 27/9/2027	7,521	0.61
€2,270,000	Airbus 2.375% 9/6/2040	2,064	0.17
€20,920,000	Altria 2.2% 15/6/2027	20,084	1.62
€10,480,000	Anheuser-Busch InBev 2.875% 2/4/2032	11,104	0.90
€8,795,000	Comcast 0.75% 20/2/2032	7,904	0.64
€3,225,000	DH Europe Finance II Sarl 1.8% 18/9/2049	2,904	0.23
€10,600,000	Digital Dutch Finco 1.5% 15/3/2030	9,828	0.79

Holding or Nominal Value	Investment	Market Value £000's	% of Total Net Assets
€10,300,000	Electricite de France 2% 9/12/2049	9,393	0.76
€4,725,000	Fidelity National Information Services 1% 3/12/2028	4,297	0.35
€10,000,000	Orange 5% Perpetual 1/10/2168 <sup>9</sup>	10,594	0.86
€17,480,000	Philip Morris International 0.8% 1/8/2031	15,223	1.23
€15,775,000	Prologis Euro Finance 1% 6/2/2035	14,127	1.14
€15,000,000	Swiss Re Finance UK 2.714% 4/6/2052	14,139	1.14
€11,720,000	Verizon Communications 1.85% 18/5/2040	11,072	0.90
		<b>140,254</b>	<b>11.34</b>

Holding or Nominal Value	Investment	Underlying Exposure – Derivatives £000's	Market Value £000's	% of Total Net Assets
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## DERIVATIVES – 0.07%; 29.2.2020 (0.79%)

### Credit Default Swaps – (0.17%); 29.2.2020 (0.04%)

244,455,000	Bank of America (iTraxx) 1% 20/12/2023	223,005	(4,659)	(0.38)
4,500,000	Barclays (Next) 1% 20/6/2025	4,674	12	0.00
8,200,000	Citibank (General Electric) 1% 20/12/2020	6,390	(17)	0.00
(48,676,293)	Morgan Stanley International (iTraxx) 0% 20/12/2023	43,478	2,575	0.21
		<b>277,547</b>	<b>(2,089)</b>	<b>(0.17)</b>

### Forward Currency Contracts – 0.32%; 29.2.2020 (0.26%)

£403,616,092	UK sterling vs Euro	400,275	3,341	0.27
£32,221,924	UK sterling vs US dollar	31,596	626	0.05
		<b>431,871</b>	<b>3,967</b>	<b>0.32</b>

### Futures – (0.08%); 29.2.2020 (0.49%)

(168)	Euro-Bobl September 2020	20,203	(27)	0.00
(688)	Euro-Bund September 2020	107,887	(557)	(0.05)
(120)	Euro-Buxl September 2020	23,251	99	0.01
478	Long Gilt December 2020	64,535	(384)	(0.03)
(686)	US 10 Year Note (CBT) December 2020	71,343	(136)	(0.01)
		<b>287,219</b>	<b>(1,005)</b>	<b>(0.08)</b>

# Portfolio Statement (unaudited) continued

Holding or Nominal Value	Investment	Exposure – Derivatives £000's	Underlying Derivatives £000's	Market Value £000's	% of Total Net Assets
<b>Interest Rate Swaps – 0.00%; 29.2.2020 0.00%</b>					
4,650,000	Goldman Sachs (UK sterling) 0.62% vs Variable 18/3/2070		4,643	2	0.00
<b>Portfolio of investments</b>				1,123,785	90.84
<b>CASH EQUIVALENTS</b>					
<b>Short-term Money Market Funds – 1.65%; 29.2.2020 2.51%</b>					
20,453,007	Institutional Cash Series plc - Institutional Sterling Liquidity Fund - Agency Income Class <sup>†</sup>			20,453	1.65
Net other assets				92,858	7.51
<b>Total net assets</b>				<b>1,237,096</b>	<b>100.00</b>

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

Underlying exposure has been calculated according to the guidelines issued by the European Securities and Markets Authority ("ESMA") and represents the market value of an equivalent position in the assets underlying each financial derivative instrument.

The counterparties for the forward currency contracts are Barclays Bank Plc, Goldman Sachs International, Standard Chartered Bank and UBS AG.

Ø 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 2020

	£000's	31.8.2020 £000's	£000's	31.8.2019 £000's
Income				
Net capital gains		12,869		48,138
Revenue	14,485		14,359	
Expenses	(3,253)		(2,715)	
Interest payable and similar charges	(173)		(83)	
Net revenue before taxation	11,059		11,561	
Taxation	–		–	
Net revenue after taxation		11,059		11,561
Total return before distributions		23,928		59,699
Distributions		(14,285)		(14,276)
<b>Change in net assets attributable to unitholders from investment activities</b>		<b>9,643</b>		<b>45,423</b>

## Statement of Change in Net Assets Attributable to Unitholders

(unaudited) for the six months ended 31 August 2020

	£000's	31.8.2020 £000's	£000's	31.8.2019 £000's
<b>Opening net assets attributable to unitholders</b>		1,228,685		878,028
Amounts receivable on issue of units	224,100		459,826	
Amounts payable on cancellation of units	(233,696)		(269,878)	
		(9,596)		189,948
Change in net assets attributable to unitholders from investment activities		9,643		45,423
Retained distribution on accumulation units		8,364		9,426
Unclaimed distributions over 6 years old		–		3
<b>Closing net assets attributable to unitholders</b>		<b>1,237,096</b>		<b>1,122,828</b>

The above statement shows the comparative closing net assets at 31 August 2019 whereas the current accounting period commenced 1 March 2020.

# Balance Sheet (unaudited)

at 31 August 2020

	31.8.2020 £000's	29.2.2020 £000's
<b>Assets:</b>		
Fixed assets		
– Investment assets	1,129,565	1,200,087
Current assets		
– Debtors	25,446	44,312
– Cash and bank balances	80,738	10,928
– Cash collateral posted	4,935	4,537
– Cash equivalents	20,453	30,856
<b>Total assets</b>	<b>1,261,137</b>	<b>1,290,720</b>
<b>Liabilities:</b>		
Investment liabilities	(5,780)	(19,146)
Creditors		
– Amounts held at futures clearing houses and brokers	(80)	(438)
– Distributions payable	(2,878)	(2,881)
– Other creditors	(15,303)	(39,570)
<b>Total liabilities</b>	<b>(24,041)</b>	<b>(62,035)</b>
<b>Net assets attributable to unitholders</b>	<b>1,237,096</b>	<b>1,228,685</b>

G D Bamping (Director)  
M T Zemek (Director)  
BlackRock Fund Managers Limited  
29 October 2020





# Notes to Financial Statements (unaudited)

for the six months ended 31 August 2020

## 1. 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 29 February 2020 and are described in those annual financial statements.

## 2. Financial risks

The Fund's investment activities expose it to the various types of risk which are associated with the financial instruments and markets in which it invests. The risks are substantially consistent with those disclosed in the previous annual financial statements with the exception of those outlined below.

### Market risk arising from price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market. Local, regional or global events such as war, acts of terrorism, the spread of infectious illness or other public health issue, recessions, or other events could have a significant impact on the Fund and the market price of its investments.

An outbreak of an infectious respiratory illness caused by a novel coronavirus known as COVID-19 was first detected in China in December 2019 and has now developed into a global pandemic. This coronavirus has resulted in travel restrictions, closed international borders, enhanced health screenings at ports of entry and elsewhere, disruption of and delays in healthcare service preparation and delivery, prolonged quarantines, cancellations, supply chain disruptions, and lower consumer demand, as well as general concern and uncertainty. The impact of COVID-19 has adversely affected the economies of many nations across the entire global economy, individual issuers and capital markets, and could continue to extents that cannot necessarily be foreseen. In addition, the impact of infectious illnesses in emerging market countries may be greater due to generally less established healthcare systems. Public health crises caused by the COVID-19 outbreak may exacerbate other pre-existing political, social and economic risks in certain countries or globally. The duration of the COVID-19 outbreak and its effects cannot be determined with certainty.

# 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 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 Fund's 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 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 2020 and the income earned for the period ended 31 August 2020. 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.

% of lendable assets	Securities on loan	
	% of NAV	Income earned £000's
9.47	7.54	36

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 2020.

Counterparty	Counterparty's country of establishment	Securities Lending	
		Amount on loan £000's	Collateral received £000's
Barclays Bank Plc	UK	889	927
BNP Paribas Arbitrage SNC	France	2,172	2,263
Citigroup Global Markets Limited	UK	9,086	9,450
Deutsche Bank AG (Euroclear)	Germany	441	459
Goldman Sachs International	UK	2,681	2,880
J.P. Morgan Securities Plc (Euroclear)	UK	18,547	19,297
Morgan Stanley & Co. International Plc	UK	59,432	61,652
<b>Total</b>		<b>93,248</b>	<b>96,928</b>

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

### 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 and OTC FDIs, as at 31 August 2020.

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>				
DKK	–	–	7	–
EUR	–	–	62,083	–
GBP	–	–	15,674	–
NOK	–	–	1,222	–
SEK	–	–	8	–
USD	–	–	17,934	–
<b>Total</b>	<b>–</b>	<b>–</b>	<b>96,928</b>	<b>–</b>
<b>OTC FDIs</b>				
GBP	–	4,935	–	–
	<b>–</b>	<b>4,935</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>–</b>	<b>4,935</b>	<b>96,928</b>	<b>–</b>

## Supplementary Information continued

All cash posted as collateral has an open maturity tenor as it's not subject to a contractual maturity date.

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/posted by the Fund by way of title transfer collateral arrangement in respect of securities lending transactions, as at 31 August 2020.

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	668	353	167	2,146	92,416	–	<b>95,750</b>
<b>Equities</b>							
Recognised equity index	–	–	–	–	–	1,178	<b>1,178</b>
<b>Total</b>	<b>668</b>	<b>353</b>	<b>167</b>	<b>2,146</b>	<b>92,416</b>	<b>1,178</b>	<b>96,928</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 received as collateral are presented as open transactions as they are not subject to a contractual maturity date.

As at 31 August 2020, 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	OTC FDIs
	£000's	£000's
Euroclear Bank SA/NAV	32,396	–

## Supplementary Information continued

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 2020.

Issuer	Value £000's	% of the Fund's NAV
Morgan Stanley & Co. International Plc	61,652	4.98
J.P. Morgan Securities Plc (Euroclear)	19,297	1.56
Citigroup Global Markets Limited (Euroclear)	9,450	0.77
Goldman Sachs International	2,880	0.23
BNP Paribas Arbitrage SNC	2,263	0.18
Barclays Bank Plc	927	0.08
Deutsche Bank AG (Euroclear)	459	0.04
<b>Total</b>	<b>96,928</b>	<b>7.84</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 2020, the firm manages £5.92 trillion across asset classes in separate accounts, mutual funds, other pooled investment vehicles, and the industry-leading iShares® exchange-traded funds.

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