Annual report

BlackRock Corporate Bond Fund

For the year ended 28 February 2019

Contents

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 (resigned 31 December 2018) R A R Hayes A M Lawrence
L E Watkins (appointed 16 May 2018, resigned 1 March 2019) 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
Telephone: 020 7743 3000
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 28 February 2019, 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, and resigned as a Director effective 1 March 2019. R A Damm resigned as a Director effective 31 December 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 28 February 2019, 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 28 February 2019.

Risk and Reward Profile

Unit Class	Lower risk Typically lower rewards ←						Higher risk Typically higher rewards →
A Income	1	2	**3**	4	5	6	7
A 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
X 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**.

Performance Table

	For the year to 28.2.2019	For the three years to 28.2.2019	For the five years to 28.2.2019
TOTAL RETURN (with net income reinvested)			
Class D Accumulation Units			
BlackRock Corporate Bond Fund	**+2.6%**	+17.5%	+27.8%
Bank of America Merrill Lynch Sterling Corporate & Collateralised Index†	**+1.9%**	+16.8%	+29.3%
IA Sterling Corporate Bond Sector Median*	**+1.3%**	+14.4%	+21.9%

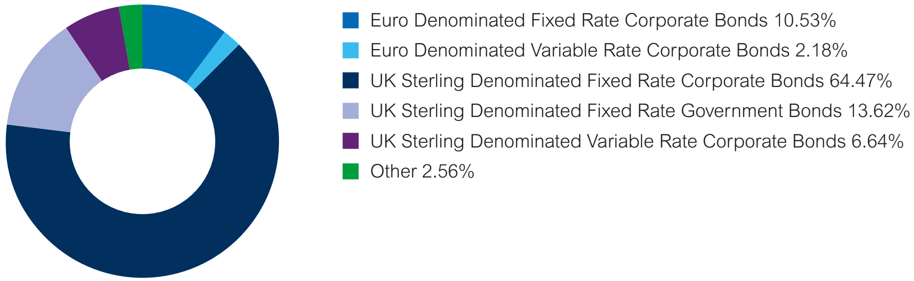
All Fund figures quoted are based on bid-to-bid dealing prices (the price at which units are sold) and are calculated net of fees. Performance returns are cumulative.
All returns are in Sterling.
† Figures from Index Vendor.
* IA Sterling Corporate Bond Sector Median is the Fund's peer group performance measure.

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.

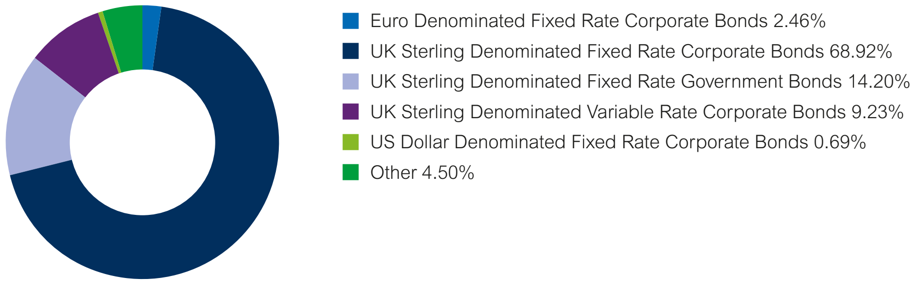
Classification of Investments

The following charts provide an analysis of the portfolio weightings as at 28 February 2019 and 28 February 2018 by their respective asset types.

28 February 2019



28 February 2018



Investment Report

Summary of Performance over the Year

The Fund returned 2.6%* over the year to 28 February 2019, outperforming its performance measure, the Bank of America Merrill Lynch Sterling Corporate & Collateralised Index, which returned 1.9%.

The Fund also outperformed its peer group, Investment Association (IA) Sterling Corporate Bond Sector Median, which returned 1.3% for the 12-month period to 28 February 2019. The Fund was in the first quartile, ranking sixth out of 87 within the IA Sterling Corporate Bond Sector.

Over the six-month period to 28 February 2019, the Fund returned 1.4%*, outperforming its performance measure, the Bank of America Merrill Lynch Sterling Corporate & Collateralised Index, which returned 0.9%. The Fund also outperformed its peer group, Investment Association (IA) Sterling Corporate Bond Sector Median, which returned 0.7% for the six-month period to 28 February 2019. The Fund was 1st quartile, ranking 6 sixth out of 88 within the IA Sterling Corporate Bond Sector.

At the end of the year, the Fund's income distribution yield was 2.9%.

Market Review

Credit markets were weak throughout 2018. Nonetheless, they generated positive total returns in the first two months of the year. Over the 12-month period as a whole, sterling corporate bond markets produced positive total 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 0.20% and 0.07%, respectively, closing at 1.30% and 1.82%, while the 5-year closed down 0.14%, to 1.02%. The 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 0.08%, at 3.33%.

The UK economy started the period slowly, but a steady improvement lifted rolling three-month GDP growth to 0.8% in August. From there, growth slowed as summer factors faded, manufacturing declined and Brexit fears deepened, which saw growth ease to 0.2% in the three months to January 2019. The labour market remains very strong, with unemployment at 4.0% – the lowest rate since 1975. Average earnings rose at 3.4% at period end, comfortably outstripping falling inflation. Annual consumer price index inflation started the period at 2.7% – significantly above the Bank of England's ("BoE") 2% target. Other than rising to a brief peak of 2.7% in the summer, inflation trended lower to 1.8%, in part reflecting a steep fall in oil prices. Assessing that first quarter weakness was temporary, the BoE raised the bank rate, by 25 basis points, to 0.75% in August. Although the labour market is building inflation pressures that might justify a further move, the period ended with little likelihood of further policy adjustment given heightening uncertainty over Brexit.

Fund Performance and Activity

The Fund's positive performance was driven by duration (a measure of the sensitivity of price to a change in yield) as gilt yields fell. We also delivered positive performance versus the wider peer group. While we have a shorter duration position relative to the peer group, we outperformed as defensive credit market positioning protected investors when credit spreads (the difference in yield between government and corporate bonds with similar maturities) widened. As at the end of February, the duration in the Fund is 6 years – less than our neutral position of 6.5 years.

* 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.

Fund Performance and Activity continued

The defensive credit positioning in the Fund worked well during 2018 as the general weakness in credit markets allowed us to buy into high quality names at discounted rates. In the latter part of May we saw volatile markets (characterised by ups and downs) as a result of political uncertainty in Italy. We took advantage of such volatility, which provided opportunities to add to credit risk at better levels. In June, US trade tensions led to another bout of volatility. This provided opportunities to add to credit risk at better levels as we saw the return of new issue premium in the market, through such names as Bayer and Volkswagen. In December we increased our allocation to credit by purchasing high quality assets based on cheap valuations (for example, through primary issuance in the German software company SAP).

Our stock selection and timing did well in the weak credit markets in 2018 and set us up well for the stronger markets that we have seen since the beginning of 2019. At the start of 2019, we had a positive view on credit, but since then we have seen valuations move away from their oversold positions and therefore have reduced the credit risk in the Fund.

The Fund saw strong performance from banks (such as Citigroup, Wells Fargo and Goldman Sachs), as well as insurance companies (such as Prudential). We saw positive returns from names within the utilities sector (such as Innogy Finance and Électricité de France), and from within the telecommunications sector (such as Time Warner Cable and British Telecommunication). We saw positive contributions from European denominated assets, particularly European corporate hybrids (high quality bonds with both debt and equity characteristics), which offer attractive yield when hedged back to sterling. The Fund's exposure in these securities has grown over the year through issuers such as Orange.

Some of our biggest detractors include Intu Metrocentre Finance and Jaguar Land Rover Automotive. Intu Metrocentre Finance has come under pressure, largely due to continuing negative headlines on UK retail. We believe asset coverage is sufficient in most negative scenarios. With regards to Jaguar Land Rover Automotive, we saw material spreads widening as the perfect storm of slowing growth in China, trade tensions, Brexit fears and slower global automobile sales impacted the name. With ample liquidity over the next two years, we think the move is overdone and we saw spreads tighten in the latter half of February.

Outlook

We maintain a defensive positioning (a positioning in assets that are less affected by changes in the economic climate) in credit over the long term. We retain a preference for alpha (opportunities that generate returns in excess of the performance measure) versus beta (generic market returns). 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 US and European counterparts, although euro denominated bond holdings have increased recently as they increasingly look attractive on a hedged basis. We have no exposure to US dollar corporate bonds, partly due to prohibitive currency hedging costs. Overall, we remain focused on good quality investment grade companies, rather than high yield at this point in the growth cycle.

March 2019

Performance Record

Comparative Table

	A Income Units			A Accumulation Units		
	For the year to 28.2.2019	For the year to 28.2.2018	For the year to 28.2.2017	For the year to 28.2.2019	For the year to 28.2.2018	For the year to 28.2.2017
	Pence per unit	Pence per unit	Pence per unit	Pence per unit	Pence per unit	Pence per unit
Change in net assets per unit						
Opening net asset value per unit	111.1	112.0	103.7	322.5	315.6	284.2
Return before operating charges	3.34	3.68	13.07	9.99	10.32	36.20
Operating charges	(1.19)	(1.21)	(1.17)	(3.47)	(3.45)	(3.28)
Return after operating charges	2.15	2.47	11.90	6.52	6.87	32.92
Distributions	(3.39)	(3.42)	(3.58)#	(9.97)	(9.73)	(9.90)#
Retained distributions on accumulation units	N/A	N/A	N/A	9.97	9.73	8.41*
Closing net asset value per unit	109.9	111.1	112.0	329.0	322.5	315.6
After direct transaction costs of	0.00	0.00	0.00	(0.01)	(0.01)	(0.01)
Performance						
Return after charges[1]	1.94%	2.20%	11.48%	2.02%	2.18%	11.58%
Other information						
Closing net asset value (£000's)	13,197	13,680	15,613	54,283	57,368	56,815
Closing number of units	12,011,967	12,318,859	13,937,154	16,498,331	17,790,010	18,000,370
Operating charges[2]	1.08%	1.07%	1.07%	1.07%	1.07%	1.08%
Direct transaction costs[3]	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Prices	Pence per unit	Pence per unit	Pence per unit	Pence per unit	Pence per unit	Pence per unit
Highest offer unit price	116.1	119.4	119.1	342.1	340.7	328.9
Lowest bid unit price	107.8	111.0	103.8	320.4	315.1	284.5

[1] The return after charges figures are based on the net asset value reported for financial statements purposes and are not the same as the performance returns figures quoted in the Performance Table and the Investment Report which are based on bid-to-bid dealing prices (the price at which units are sold).
[2] Operating charges are annualised and exclude portfolio trade-related costs, except costs paid to the custodian/trustee and entry/exit charges paid to an underlying collective investment scheme (if any).
[3] Direct transaction costs are annualised and principally comprise commissions and taxes, attributable to the Fund's purchase and sale of debt instruments. See note 15 for further details.
With effect from 1 December 2016, the Fund moved to a gross pricing basis. All interest distributions paid after 6 April 2017 were made gross, i.e., without the deduction of income tax.
* Difference relates to 20% income tax withheld on distributions in accordance with HMRC.

Comparative Table

	D Income Units			D Accumulation Units		
	For the year to 28.2.2019	For the year to 28.2.2018	For the year to 28.2.2017	For the year to 28.2.2019	For the year to 28.2.2018	For the year to 28.2.2017
	Pence per unit	Pence per unit	Pence per unit	Pence per unit	Pence per unit	Pence per unit
Change in net assets per unit						
Opening net asset value per unit	115.0	115.4	106.3	333.2	324.5	290.7
Return before operating charges	3.53	3.80	13.45	10.34	10.54	37.06
Operating charges	(0.65)	(0.67)	(0.64)	(1.91)	(1.89)	(1.78)
Return after operating charges	2.88	3.13	12.81	8.43	8.65	35.28
Distributions	(3.52)	(3.53)	(3.68)#	(10.32)	(10.03)	(10.15)#
Retained distributions on accumulation units	N/A	N/A	N/A	10.32	10.03	8.62*
Closing net asset value per unit	114.4	115.0	115.4	341.6	333.2	324.5
After direct transaction costs of	0.00	0.00	0.00	(0.01)	(0.01)	(0.01)
Performance						
Return after charges[1]	2.50%	2.71%	12.05%	2.53%	2.66%	12.14%
Other information						
Closing net asset value (£000's)	212,642	140,377	93,936	208,749	140,528	94,023
Closing number of units	185,937,017	122,062,476	81,381,006	61,103,382	42,181,548	28,979,146
Operating charges[2]	0.57%	0.57%	0.57%	0.57%	0.57%	0.57%
Direct transaction costs[3]	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Prices	Pence per unit	Pence per unit	Pence per unit	Pence per unit	Pence per unit	Pence per unit
Highest offer unit price	116.6	119.4	118.5	344.1	340.6	326.8
Lowest bid unit price	112.1	115.0	106.4	331.8	323.9	291.0

[1] The return after charges figures are based on the net asset value reported for financial statements purposes and are not the same as the performance returns figures quoted in the Performance Table and the Investment Report which are based on bid-to-bid dealing prices (the price at which units are sold).
[2] Operating charges are annualised and exclude portfolio trade-related costs, except costs paid to the custodian/trustee and entry/exit charges paid to an underlying collective investment scheme (if any).
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With effect from 1 December 2016, the Fund moved to a gross pricing basis. All interest distributions paid after 6 April 2017 were made gross, i.e., without the deduction of income tax.
* Difference relates to 20% income tax withheld on distributions in accordance with HMRC.

Performance Record continued

Comparative Table

	S Income Units			S Accumulation Units		
	For the year to 28.2.2019	For the year to 28.2.2018	For the year to 28.2.2017	For the year to 28.2.2019	For the year to 28.2.2018	For the year to 28.2.2017
	Pence per unit	Pence per unit	Pence per unit	Pence per unit	Pence per unit	Pence per unit
Change in net assets per unit						
Opening net asset value per unit	110.4	110.7	101.9	124.2	120.9	108.2
Return before operating charges	3.39	3.70	12.93	3.84	3.90	13.83
Operating charges	(0.57)	(0.61)	(0.56)	(0.65)	(0.64)	(0.60)
Return after operating charges	2.82	3.09	12.37	3.19	3.26	13.23
Distributions	(3.38)	(3.39)	(3.53)#	(3.85)	(3.74)	(3.78)#
Retained distributions on accumulation units	N/A	N/A	N/A	3.85	3.74	3.21*
Closing net asset value per unit	109.8	110.4	110.7	127.4	124.2	120.9
After direct transaction costs of	0.00	0.00	0.00	0.00	0.00	0.00
Performance						
Return after charges[1]	2.55%	2.79%	12.14%	2.57%	2.69%	12.23%
Other information						
Closing net asset value (£000's)	82,785	86,286	14,154	226,043	146,025	113,418
Closing number of units	75,372,142	78,160,241	12,780,582	177,440,577	117,610,576	93,845,055
Operating charges[2]	0.52%	0.54%	0.52%	0.52%	0.52%	0.52%
Direct transaction costs[3]	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Prices	Pence per unit	Pence per unit	Pence per unit	Pence per unit	Pence per unit	Pence per unit
Highest offer unit price	117.5	120.3	119.4	134.7	133.3	127.8
Lowest bid unit price	107.6	110.4	102.0	123.7	120.7	108.3

[1] The return after charges figures are based on the net asset value reported for financial statements purposes and are not the same as the performance returns figures quoted in the Performance Table and the Investment Report which are based on bid-to-bid dealing prices (the price at which units are sold).
[2] Operating charges are annualised and exclude portfolio trade-related costs, except costs paid to the custodian/trustee and entry/exit charges paid to an underlying collective investment scheme (if any).
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With effect from 1 December 2016, the Fund moved to a gross pricing basis. All interest distributions paid after 6 April 2017 were made gross, i.e., without the deduction of income tax.
* Difference relates to 20% income tax withheld on distributions in accordance with HMRC.

Comparative Table

	X Accumulation Units		
	For the year to 28.2.2019	For the year to 28.2.2018	For the year to 28.2.2017
	Pence per unit	Pence per unit	Pence per unit
Change in net assets per unit			
Opening net asset value per unit	121.4	117.5	104.7
Return before operating charges	3.74	3.87	13.41
Operating charges	(0.02)	(0.02)	(0.02)
Return after operating charges	3.72	3.85	13.39
Distributions	(3.77)	(3.64)	(3.67)#
Retained distributions on accumulation units	3.77	3.64	3.11*
Closing net asset value per unit	125.1	121.4	117.5
After direct transaction costs of	0.00	0.00	0.00
Performance			
Return after charges[1]	3.06%	3.28%	12.79%
Other information			
Closing net asset value (£000's)	80,329	82,302	104,648
Closing number of units	64,199,800	67,823,707	89,040,723
Operating charges[2]	0.02%	0.02%	0.02%
Direct transaction costs[3]	0.00%	0.00%	0.00%
Prices	Pence per unit	Pence per unit	Pence per unit
Highest offer unit price	126.0	124.0	118.4
Lowest bid unit price	120.9	117.4	104.8

[1] The return after charges figures are based on the net asset value reported for financial statements purposes and are not the same as the performance returns figures quoted in the Performance Table and the Investment Report which are based on bid-to-bid dealing prices (the price at which units are sold).
[2] Operating charges are annualised and exclude portfolio trade-related costs, except costs paid to the custodian/trustee and entry/exit charges paid to an underlying collective investment scheme (if any).
[3] Direct transaction costs are annualised and principally comprise commissions and taxes, attributable to the Fund's purchase and sale of debt instruments. See note 15 for further details.
With effect from 1 December 2016, the Fund moved to a gross pricing basis. All interest distributions paid after 6 April 2017 were made gross, i.e., without the deduction of income tax.
* Difference relates to 20% income tax withheld on distributions in accordance with HMRC.

Distribution Tables

for the year ended 28 February 2019

Final Distribution in Pence per Unit

Group 1 – Units purchased prior to 1 December 2018

Group 2 – Units purchased 1 December 2018 to 28 February 2019

	A Income Units		A Accumulation Units		D Income Units		D Accumulation Units		S Income Units		S Accumulation Units		X Accumulation Units	
	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2
Gross Revenue	0.8341	0.6329	2.4777	1.0040	0.8676	0.4496	2.5709	1.0423	0.8332	0.2712	0.9586	0.3691	0.9409	0.3786
Equalisation†	–	0.2012	–	1.4737	–	0.4180	–	1.5286	–	0.5620	–	0.5895	–	0.5623
Distribution paid 30.4.2019	**0.8341**	**0.8341**	**2.4777**	**2.4777**	**0.8676**	**0.8676**	**2.5709**	**2.5709**	**0.8332**	**0.8332**	**0.9586**	**0.9586**	**0.9409**	**0.9409**
Distribution paid 30.4.2018	**0.8021**	**0.8021**	**2.3120**	**2.3120**	**0.8301**	**0.8301**	**2.3869**	**2.3869**	**0.7968**	**0.7968**	**0.8895**	**0.8895**	**0.8687**	**0.8687**

Third Interim Distribution in Pence per Unit

Group 1 – Units purchased prior to 1 September 2018

Group 2 – Units purchased 1 September 2018 to 30 November 2018

	A Income Units		A Accumulation Units		D Income Units		D Accumulation Units		S Income Units		S Accumulation Units		X Accumulation Units	
	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2
Gross Revenue	0.8549	0.5652	2.5198	1.4997	0.8882	0.3987	2.6112	1.4009	0.8529	0.4134	0.9736	0.5700	0.9544	0.4817
Equalisation†	–	0.2897	–	1.0201	–	0.4895	–	1.2103	–	0.4395	–	0.4036	–	0.4727
Distribution paid 31.1.2019	**0.8549**	**0.8549**	**2.5198**	**2.5198**	**0.8882**	**0.8882**	**2.6112**	**2.6112**	**0.8529**	**0.8529**	**0.9736**	**0.9736**	**0.9544**	**0.9544**
Distribution paid 31.1.2018	**0.8238**	**0.8238**	**2.3575**	**2.3575**	**0.8516**	**0.8516**	**2.4309**	**2.4309**	**0.8173**	**0.8173**	**0.9058**	**0.9058**	**0.8836**	**0.8836**

Second Interim Distribution in Pence per Unit

Group 1 – Units purchased prior to 1 June 2018

Group 2 – Units purchased 1 June 2018 to 31 August 2018

	A Income Units		A Accumulation Units		D Income Units		D Accumulation Units		S Income Units		S Accumulation Units		X Accumulation Units	
	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2
Gross Revenue	0.8457	0.2786	2.4741	0.8178	0.8775	0.3594	2.5607	1.4246	0.8425	0.3941	0.9546	0.5070	0.9346	0.5063
Equalisation†	–	0.5671	–	1.6563	–	0.5181	–	1.1361	–	0.4484	–	0.4476	–	0.4283
Distribution paid 31.10.2018	**0.8457**	**0.8457**	**2.4741**	**2.4741**	**0.8775**	**0.8775**	**2.5607**	**2.5607**	**0.8425**	**0.8425**	**0.9546**	**0.9546**	**0.9346**	**0.9346**
Distribution paid 31.10.2017	**0.9627**	**0.9627**	**2.7318**	**2.7318**	**0.9938**	**0.9938**	**2.8133**	**2.8133**	**0.9537**	**0.9537**	**1.0481**	**1.0481**	**1.0212**	**1.0212**

First Interim Distribution in Pence per Unit

Group 1 – Units purchased prior to 1 March 2018

Group 2 – Units purchased 1 March 2018 to 31 May 2018

	A Income Units		A Accumulation Units		D Income Units		D Accumulation Units		S Income Units		S Accumulation Units		X Accumulation Units	
	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2	Group 1	Group 2
Gross Revenue	0.8600	0.2571	2.4960	1.0257	0.8910	0.3130	2.5801	1.2385	0.8553	0.0863	0.9617	0.4840	0.9404	0.9404
Equalisation†	–	0.6029	–	1.4703	–	0.5780	–	1.3416	–	0.4667	–	0.4777	–	0.0000
Distribution paid 31.7.2018	**0.8600**	**0.8600**	**2.4960**	**2.4960**	**0.8910**	**0.8910**	**2.5801**	**2.5801**	**0.8553**	**0.5530**	**0.9617**	**0.9617**	**0.9404**	**0.9404**
Distribution paid 31.7.2017	**0.8266**	**0.8266**	**2.3283**	**2.3283**	**0.8523**	**0.8523**	**2.3948**	**2.3948**	**0.8177**	**0.8177**	**0.8921**	**0.8921**	**0.8680**	**0.8680**

† Equalisation applies only to units purchased during the distribution period (Group 2 units). It is the average amount of revenue included in the purchase price of all Group 2 units and is refunded to holders of these units as a return of capital. Being capital, it is not liable to income tax but must be deducted from the cost of units for capital gains tax purposes.

Report on Remuneration

The below disclosures are made in respect of the remuneration policies of the BlackRock group ("BlackRock"), as they apply to BlackRock Fund Managers Limited (the "Manager"). The disclosures are made in accordance with the Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities ("UCITS"), as amended, including in particular by Directive 2014/91/EU of the European Parliament and of the council of 23 July 2014, (the "Directive"), the "Guidelines on sound remuneration policies under the UCITS Directive and AIFMD" issued by the European Securities and Markets Authority, the Financial Conduct Authority Handbook SYSC 19E: The UCITS Remuneration Code (the "UCITS Remuneration Code"), and COLL 4.5.7 R(7).

BlackRock's UCITS Remuneration Policy (the "UCITS Remuneration Policy") will apply to the EEA entities within the BlackRock group authorised as a manager of alternative investment funds in accordance with the Directive, and will ensure compliance with the requirements of Article 14b of the Directive and the UCITS Remuneration Code.

The Manager has adopted the UCITS Remuneration Policy, a summary of which is set out below.

Remuneration Governance

BlackRock's remuneration governance in EMEA operates as a tiered structure which includes: (a) the Management Development and Compensation Committee ("MDCC") (which is the global, independent remuneration committee for BlackRock, Inc. and all of its subsidiaries, including the Manager); and (b) the Manager's board of directors (the "Manager's Board"). These bodies are responsible for the determination of BlackRock's remuneration policies.

(a) MDCC

The MDCC's purposes include:

- providing oversight of:
  - BlackRock's executive compensation programmes;
  - BlackRock's employee benefit plans; and
  - such other compensation plans as may be established by BlackRock from time to time for which the MDCC is deemed as administrator;
- reviewing and discussing the compensation discussion and analysis included in the BlackRock, Inc. annual proxy statement with management and approving the MDCC's report for inclusion in the proxy statement;
- reviewing, assessing and making reports and recommendations to the BlackRock, Inc. board of directors (the "BlackRock, Inc. Board") as appropriate on BlackRock's talent development and succession planning, with the emphasis on performance and succession at the highest management levels; and
- in accordance with applicable UK and European regulations and guidance, to act as the Remuneration Committee for BlackRock's EMEA regulated entities.

The MDCC directly retains its own independent compensation consultant, Semler Brossy Consulting Group LLC, who has no relationship with BlackRock, Inc. or the BlackRock, Inc. Board that would interfere with its ability to provide independent advice to the MDCC on compensation matters.

The BlackRock, Inc. Board has determined that all of the members of the MDCC are "independent" within the meaning of the listing standards of the New York Stock Exchange (NYSE), which requires each meet a "non-employee director" standard.

The MDCC held 10 meetings during 2018. The MDCC charter is available on BlackRock, Inc.'s website (www.blackrock.com).

Through its regular reviews, the MDCC continues to be satisfied with the principles of BlackRock's compensation policy and approach.

(b) The Manager's Board

The Manager's Board has the task of supervising and providing oversight of the UCITS Remuneration Policy as it applies to the Manager and its Identified Staff.

The Manager's Board (through independent review by the relevant control functions) remains satisfied with the implementation of the UCITS Remuneration Policy as it applies to the Manager and its Identified Staff.

Decision-making process

Remuneration decisions for employees are made once annually in January following the end of the performance year. This timing allows full-year financial results to be considered along with other non-financial goals and objectives. Although the framework for remuneration decision-making is tied to financial performance, significant discretion is used to determine individual variable remuneration based on achievement of strategic and operating results and other considerations such as management and leadership capabilities.

No set formulas are established and no fixed benchmarks are used in determining annual incentive awards. In determining specific individual remuneration amounts, a number of factors are considered including non-financial goals and objectives and overall financial and investment performance. These results are viewed in the aggregate without any specific weighting, and there is no direct correlation between any particular performance measure and the resulting annual incentive award. The variable remuneration awarded to any individual(s) for a particular performance year may also be zero.

Annual incentive awards are paid from a bonus pool.

The size of the projected bonus pool, including cash and equity awards, is reviewed throughout the year by the MDCC and the final total bonus pool is approved after year-end. As part of this review, the MDCC receives actual and projected financial information over the course of the year as well as final year-end information. The financial information that the MDCC receives and considers includes the current year projected income statement and other financial measures compared with prior year results and the current year budget. The MDCC additionally reviews other metrics of BlackRock's financial performance (e.g., net inflows of AUM and investment performance) as well as information regarding market conditions and competitive compensation levels.

The MDCC regularly considers management's recommendation as to the percentage of preincentive operating income that will be accrued and reflected as a compensation expense throughout the year for the cash portion of the total annual bonus pool (the "accrual rate"). The accrual rate of the cash portion of the total annual bonus pool may be modified by the MDCC during the year based on its review of the financial information described above. The MDCC does not apply any particular weighting or formula to the information it considers when determining the size of the total bonus pool or the accruals made for the cash portion of the total bonus pool.

Following the end of the performance year, the MDCC approves the final bonus pool amount.

As part of the year-end review process the Enterprise Risk and Regulatory Compliance departments report to the MDCC on any activities, incidents or events that warrant consideration in making compensation decisions.

Individuals are not involved in setting their own remuneration.

Control functions

Each of the control functions (Enterprise Risk, Legal & Compliance, and Internal Audit) has its own organisational structure which is independent of the business units. The head of each control function is either a member of the Global Executive Committee ("GEC"), the global management committee, or has a reporting obligation to the board of directors of BlackRock Group Limited, the parent company of all of BlackRock's EMEA regulated entities, including the Manager.

Functional bonus pools are determined with reference to the performance of each individual function. The remuneration of the senior members of control functions is directly overseen by the MDCC.

Link between pay and performance

There is a clear and well defined pay-for-performance philosophy and compensation programmes which are designed to meet the following key objectives as detailed below:

- appropriately balance BlackRock's financial results between shareholders and employees;
- attract, retain and motivate employees capable of making significant contributions to the long-term success of the business;
- align the interests of senior employees with those of shareholders by awarding BlackRock Inc.'s stock as a significant part of both annual and long-term incentive awards;
- control fixed costs by ensuring that compensation expense varies with profitability;
- link a significant portion of an employee's total compensation to the financial and operational performance of the business as well as its common stock performance;
- discourage excessive risk-taking; and
- ensure that client interests are not negatively impacted by remuneration awarded on a short-term, mid-term and/or long-term basis.

Driving a high-performance culture is dependent on the ability to measure performance against objectives, values and behaviours in a clear and consistent way. Managers use a 5-point rating scale to provide an overall assessment of an employee's performance, and employees also provide a self-evaluation. The overall, final rating is reconciled during each employee's performance appraisal. Employees are assessed on the manner in which performance is attained as well as the absolute performance itself.

In keeping with the pay-for-performance philosophy, ratings are used to differentiate and reward individual performance – but don't pre-determine compensation outcomes. Compensation decisions remain discretionary and are made as part of the year-end compensation process.

When setting remuneration levels other factors are considered, as well as individual performance, which may include:

- the performance of the Manager, the funds managed by the Manager and/or the relevant functional department;
- factors relevant to an employee individually; relationships with clients and colleagues; teamwork; skills; any conduct issues; and, subject to any applicable policy, the impact that any relevant leave of absence may have on contribution to the business);
- the management of risk within the risk profiles appropriate for BlackRock's clients;
- strategic business needs, including intentions regarding retention;
- market intelligence; and
- criticality to business.

A primary product tool is risk management and, while employees are compensated for strong performance in their management of client assets, they are required to manage risk within the risk profiles appropriate for their clients. Therefore, employees are not rewarded for engaging in high-risk transactions outside of established parameters. Remuneration practices do not provide undue incentives for short-term planning or short-term financial rewards, do not reward unreasonable risk and provide a reasonable balance between the many and substantial risks inherent within the business of investment management, risk management and advisory services.

BlackRock operates a total compensation model for remuneration which includes a base salary, which is contractual, and a discretionary bonus scheme.

BlackRock operates an annual discretionary bonus scheme. Although all employees are eligible to be considered for a discretionary bonus, there is no contractual obligation to make any award to an employee under its discretionary bonus scheme. In exercising discretion to award a discretionary bonus, the factors listed above (under the heading "Link between pay and performance") may be taken into account in addition to any other matters which become relevant to the exercise of discretion in the course of the performance year.

Discretionary bonus awards for all employees, including executive officers, are subject to a guideline that determines the portion paid in cash and the portion paid in BlackRock, Inc. stock and subject to additional vesting/clawback conditions. Stock awards are subject to further performance adjustment through variation in BlackRock, Inc.'s share price over the vesting period. As total annual compensation increases, a greater portion is deferred into stock. The MDCC adopted this approach in 2006 to substantially increase the retention value and shareholder alignment of the compensation package for eligible employees, including the executive officers. The portion deferred into stock vests into three equal instalments over the three years following grant.

Supplementary to the annual discretionary bonus as described above, equity awards from the "Partner Plan" and "Targeted Equity Award Plan" are made to select senior leaders to provide greater linkage with future business results. The long-term incentive awards have been established individually to provide meaningful incentive for continued performance over a multi-year period recognising the scope of the individual's role, business expertise and leadership skills.

Selected senior leaders are eligible to receive performance-adjusted equity-based awards from the "BlackRock Performance Incentive Plan" ("BPIP"). Awards made from the BPIP have a three-year performance period based on a measurement of As Adjusted Operating Margin[1] and Organic Revenue Growth[2]. Determination of pay-out will be made based on the firm's achievement relative to target financial results at the conclusion of the performance period. The maximum number of shares that can be earned is 165% of the award in those situations where both metrics achieve pre-determined financial targets. No shares will be earned where the firm's financial performance in both of the above metrics is below a pre-determined performance threshold. These metrics have been selected as key measures of shareholder value which endure across market cycles.

A limited number of investment professionals have a portion of their annual discretionary bonus (as described above) awarded as deferred cash that notionally tracks investment in selected products managed by the employee. The intention of these awards is to align investment professionals with the investment returns of the products they manage through the deferral of compensation into those products. Clients and external evaluators have increasingly viewed more favourably those products where key investors have "skin in the game" through significant personal investments.

Identified Staff

The UCITS Remuneration Policy sets out the process that will be applied to identify staff as Identified Staff, being categories of staff of the Manager, including senior management, risk takers, control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the risk profiles of the Manager or of the funds it manages.

The list of Identified Staff will be subject to regular review, being formally reviewed in the event of, but not limited to:

- organisational changes;
- new business initiatives;
- changes in significant influence function lists;
- changes in role responsibilities; and
- revised regulatory direction.

[1] As Adjusted Operating Margin: As reported in BlackRock's external filings, reflects adjusted Operating Income divided by Total Revenue net of distribution and servicing expenses and amortisation of deferred sales commissions.
[2] Organic Revenue Growth: Equal to net new base fees plus net new Aladdin revenue generated in the year (in dollars).

Quantitative Remuneration Disclosure

The Manager is required under UCITS to make quantitative disclosures of remuneration. These disclosures are made in line with BlackRock's interpretation of currently available regulatory guidance on quantitative remuneration disclosures. As market or regulatory practice develops BlackRock may consider it appropriate to make changes to the way in which quantitative remuneration disclosures are calculated. Where such changes are made, this may result in disclosures in relation to a fund not being comparable to the disclosures made in the prior year, or in relation to other BlackRock fund disclosures in that same year.

Disclosures are provided in relation to (a) the staff of the Manager; (b) staff who are senior management; and (c) staff who have the ability to materially affect the risk profile of the Fund, including individuals who, although not directly employed by the Manager, are assigned by their employer to carry out services directly for the Manager.

All individuals included in the aggregated figures disclosed are rewarded in line with BlackRock's remuneration policy for their responsibilities across the relevant BlackRock business area. As all individuals have a number of areas of responsibilities, only the portion of remuneration for those individuals' services attributable to the Fund is included in the aggregate figures disclosed.

Members of staff and senior management of the Manager typically provide both UCITS and non-UCITS related services in respect of multiple funds, clients and functions of the Manager and across the broader BlackRock group. Therefore, the figures disclosed are a sum of each individual's portion of remuneration attributable to the Manager according to an objective apportionment methodology which acknowledges the multiple-service nature of the Manager. Accordingly the figures are not representative of any individual's actual remuneration or their remuneration structure.

The amount of the total remuneration awarded by the Manager to its staff which has been attributed to the Manager's UCITS-related business in respect of the Manager's financial year ending 31 December 2018 is GBP 20.5 million. This figure is comprised of fixed remuneration of GBP 1.5 million and variable remuneration of GBP 19.0 million. There were a total of 59 beneficiaries of the remuneration described above.

The amount of the aggregate remuneration awarded by the Manager, which has been attributed to the Manager's UCITS-related business in respect of the Manager's financial year ending 31 December 2018, to its senior management was GBP 0.6 million, and to other members of its staff whose actions have a material impact on the risk profile of the Manager's UCITS-related business was GBP 19.9 million.

Portfolio Statement

at 28 February 2019

Holding or Nominal Value	Investment	Market Value £000's	% of Total Net Assets
	BONDS – 97.44%; 28.2.2018 95.50%		
	UK STERLING – 84.73%; 28.2.2018 92.35%		
	UK Sterling Denominated Fixed Rate Corporate Bonds – 64.47%; 28.2.2018 68.92%		
£2,040,000	AA Bond 6.269% Bonds 2/7/2043ø	2,064	0.24
£6,195,000	Anglian Water Services Financing 2.625% Bonds 15/6/2027	5,832	0.66
£6,500,000	Anglian Water Services Financing 4.5% European Medium Term Notes 22/2/2026ø	6,973	0.79
£6,800,000	Anheuser-Busch InBev 4% Guaranteed European Medium Term Notes 24/9/2025	7,425	0.85
£6,510,000	Annington Funding 2.646% European Medium Term Notes 12/7/2025	6,396	0.73
£3,546,667	Arqiva Financing 4.882% Bonds 31/12/2032	3,924	0.45
£2,865,000	AT&T 4.375% Bonds 14/9/2029	3,099	0.35
£6,600,000	AT&T 5.5% Guaranteed Senior Bonds 15/3/2027	7,722	0.88
£7,085,000	Bank of America 5.5% Guaranteed Subordinated European Medium Term Bonds 22/11/2021	7,717	0.88
£7,912,000	Bank of Scotland 7.281% Perpetual	9,563	1.09
£8,420,000	Bank of Scotland 9.375% Guaranteed Subordinated Bonds 15/5/2021	9,650	1.10
£6,750,000	Barclays 3.25% European Medium Term Notes 12/2/2027ø	6,614	0.75
£20,400,000	BAT 2.125% Bonds 15/8/2025	19,357	2.20
£1,613,449	BL Superstores Finance 5.27% Guaranteed Asset Backed Bonds 4/10/2030	1,752	0.20
£4,950,000	BNP Paribas 3.375% European Medium Term Notes 23/1/2026	5,060	0.58
£12,560,000	British Telecommunications 3.125% European Medium Term Notes 21/11/2031	12,360	1.41
£9,560,000	Bupa Finance 5% Subordinated Notes 25/4/2023	10,294	1.17
£3,425,000	Cadent Finance 3.125% European Medium Term Notes 21/3/2040	3,369	0.38
£6,600,000	Centrica 5.25% Subordinated European Medium Term Notes 10/4/2075	6,650	0.76
£2,705,000	Citigroup 2.75% Bonds 24/1/2024	2,755	0.31
£6,735,000	Citigroup 6.8% Guaranteed Senior European Medium Term Bonds 25/6/2038	10,430	1.19
£695,273	City Greenwich Lewisham Rail Link 9.375% Bonds 11/10/2020	735	0.08
£3,115,000	Close Brothers 2.75% European Medium Term Notes 26/4/2023	3,120	0.36
£7,730,000	Credit Suisse 2.125% Bonds 12/9/2025	7,418	0.84
£4,230,000	CYBG 3.125% Bonds 22/6/2025	3,932	0.45
£3,660,000	Digital Stout 2.75% Bonds 19/7/2024	3,644	0.42
£2,054,000	Digital Stout 3.3% Bonds 19/7/2029	2,018	0.23
£4,882,174	Dignity 3.5456% Asset Backed Bonds 31/12/2034	5,094	0.58
£7,303,000	DS Smith 2.875% European Medium Term Notes 26/7/2029ø	6,974	0.79
£2,460,000	Ei 6% Senior Bonds 6/10/2023	2,606	0.30
£5,000,000	Ei 6.875% Bonds 15/2/2021	5,297	0.60
£6,578,000	Eversholt Funding 6.359% Guaranteed Senior European Medium Term Bonds 2/12/2025	7,951	0.91
£7,120,000	Experian Finance 2.125% European Medium Term Notes 27/9/2024	7,133	0.81
£7,400,000	GKN 5.375% Bonds 19/9/2022	7,852	0.89
£5,780,000	Goldman Sachs 3.13% Bonds 25/7/2029	5,799	0.66
£11,805,000	Goldman Sachs 4.25% Senior European Medium Term Notes 29/1/2026	12,862	1.47
£2,923,785	Great Rolling Stock 6.875% Guaranteed Senior European Medium Term Bonds 27/7/2035	3,631	0.41
£4,255,000	Greene King Finance 3.593% Bonds 15/3/2035	4,202	0.48
£4,590,000	Heathrow Funding 6.45% Guaranteed Senior European Medium Term Bonds 10/12/2031	6,392	0.73
£4,770,000	Heathrow Funding 7.125% Guaranteed European Medium Term Bonds 14/2/2024	5,732	0.65
£16,875,000	HSBC 2.175% Bonds 27/6/2023	16,916	1.93
£9,995,000	HSBC 5.75% Guaranteed Subordinated European Medium Term Bonds 20/12/2027	11,850	1.35
£11,650,000	Imperial Brands Finance 5.5% Guaranteed Senior European Medium Term Notes 28/9/2026	13,334	1.52
£4,709,000	Imperial Brands Finance 8.125% Guaranteed European Medium Term Bonds 15/3/2024	5,845	0.67
£10,000,000	Innogy Finance 6.25% Guaranteed European Medium Term Bonds 3/6/2030	13,063	1.49
£4,372,000	InterContinental Hotels 3.75% European Medium Term Notes 14/8/2025	4,556	0.52
£8,508,000	Intu Metrocentre Finance 4.125% Senior Notes 6/12/2028ø	8,292	0.94
£3,610,000	KPN 5% Guaranteed Senior European Medium Term Bonds 18/11/2026	3,871	0.44
£3,095,000	Leeds Building Society 3.75% European Medium Term Notes 25/4/2029ø	2,829	0.32
£3,180,000	Legal & General 5.125% Bonds 14/11/2048	3,293	0.38
£2,495,000	London Power Networks 2.625% Bonds 1/3/2029	2,492	0.28
£1,730,783	Meadowhall Finance 4.986% Guaranteed Mortgage Backed Bonds 12/7/2037	2,087	0.24
£1,145,566	Mitchells & Butlers Finance 5.574% Guaranteed Asset Backed Bonds 15/12/2030	1,285	0.15
£815,566	Mitchells & Butlers Finance 5.965% Guaranteed Asset Backed Bonds 15/12/2025	872	0.10
£6,483,138	Mitchells & Butlers Finance 6.013% Guaranteed Asset Backed Bonds 15/12/2030	7,271	0.83
£8,910,000	National Westminster Bank 6.5% Guaranteed Subordinated Bonds 7/9/2021	9,798	1.12
£2,250,000	Next 3.625% Bonds 18/5/2028ø	2,242	0.26
£3,200,000	Next 4.375% Senior Notes 2/10/2026	3,421	0.39
£4,560,000	NIE Finance 2.5% Bonds 27/10/2025	4,598	0.52

Holding or Nominal Value	Investment	Market Value £000's	% of Total Net Assets
£3,600,000	Orange 3.25% European Medium Term Notes 15/1/2032	3,681	0.42
£3,725,000	Pennon 2.875% Perpetual Bonds	3,727	0.42
£4,780,000	PGH Capital 6.625% Bonds 18/12/2025	5,018	0.57
£3,295,000	Porterbrook Rail Finance 7.125% Guaranteed Senior European Medium Term Bonds 20/10/2026	4,174	0.48
£2,400,000	Prudential 5.625% Bonds 20/10/2051	2,487	0.28
£6,530,000	Quadgas Finance 3.375% European Medium Term Notes 17/9/2029	6,488	0.74
£10,100,000	Santander UK 2.92% European Medium Term Notes 8/5/2026	9,932	1.13
£6,849,000	Scottish Widows 5.5% Bonds 16/6/2023	7,495	0.85
£1,400,000	Severn Trent Utilities Finance 3.625% European Medium Term Bonds 16/1/2026	1,501	0.17
£3,550,000	Sky 6% Guaranteed European Medium Term Bonds 21/5/2027	4,510	0.51
£6,780,000	Society of Lloyd's 4.75% Subordinated Bonds 30/10/2024	7,222	0.82
£1,340,000	Southern Gas Networks 2.5% Senior European Medium Term Bonds 3/2/2025	1,353	0.15
£2,175,000	Southern Gas Networks 3.1% European Medium Term Notes 15/9/2036[ø]	2,180	0.25
£5,725,000	SSE 3.625% Bonds 16/9/2077	5,583	0.64
£1,597,667	Telereal Secured Finance 4.01% Asset Backed Notes 10/12/2033	1,681	0.19
£5,026,743	Telereal Securitisation 5.5534% Asset Backed Bonds 10/12/2033	5,976	0.68
£1,153,423	Telereal Securitisation 5.9478% Guaranteed Asset Backed Bonds 10/12/2033	1,397	0.16
£9,949,054	Tesco Property Finance 7.6227% Guaranteed Mortgage Backed Bonds 13/7/2039	13,418	1.53
£4,150,000	Thames Water Utilities 2.625% Bonds 24/1/2032[ø]	3,904	0.44
£7,365,000	Thames Water Utilities Cayman Finance 2.375% European Medium Term Notes 3/5/2023	7,139	0.81
£1,790,000	Thames Water Utilities Cayman Finance 3.5% Bonds 25/2/2028	1,874	0.21
£10,659,000	Time Warner Cable 5.75% Guaranteed Bonds 2/6/2031	12,354	1.41
£2,766,000	Travis Perkins 4.375% Guaranteed Senior Bonds 15/9/2021[ø]	2,837	0.32
£5,040,000	Tritax Big Box REIT 2.625% European Medium Term Notes 14/12/2026	4,958	0.56
£1,551,792	Unique Pub Finance 5.659% Bonds 30/6/2027	1,671	0.19
£4,676,280	Unique Pub Finance 6.542% Bonds 30/3/2021	4,903	0.56
£2,870,000	United Utilities Water Finance 2.625% Bonds 12/2/2031	2,875	0.33
£3,950,000	Vodafone 4.875% Bonds 3/10/2078	3,821	0.44
£11,320,000	Walgreens Boots Alliance 3.6% Bonds 20/11/2025[ø]	11,765	1.34
£12,000,000	Wells Fargo 2% European Medium Term Notes 28/7/2025	11,822	1.35

Holding or Nominal Value	Investment	Market Value £000's	% of Total Net Assets
£5,700,000	Wells Fargo 4.875% Guaranteed Subordinated European Medium Term Bonds 29/11/2035	6,956	0.79
£4,360,000	Western Power Distribution 3.5% Bonds 16/10/2026	4,409	0.50
£7,412,000	Western Power Distribution 3.625% Bonds 6/11/2023	7,698	0.88
£4,000,000	Western Power Distribution West Midlands 3.875% Senior European Medium Term Notes 17/10/2024	4,321	0.49
£1,770,000	Yorkshire Power Finance 7.25% Guaranteed Bonds 4/8/2028	2,460	0.28
£1,870,000	Yorkshire Water Services Bradford 3.625% Guaranteed European Medium Term Notes 1/8/2029	2,041	0.23
£10,840,000	Yorkshire Water Services Bradford Finance 3.75% European Medium Term Notes 22/3/2046	11,132	1.27
		566,076	**64.47**

UK Sterling Denominated Fixed Rate Government Bonds – 13.62%; 28.2.2018 14.20%

Holding or Nominal Value	Investment	Market Value £000's	% of Total Net Assets
£26,880,000	Treasury 1.25% Gilts 22/7/2027	27,054	3.08
£28,155,000	Treasury 2% Gilts 7/9/2025	29,879	3.40
£27,013,000	Treasury 2.25% Stock 7/9/2023	28,567	3.25
£2,370,000	Treasury 4.25% Gilts 7/12/2049	3,751	0.43
£21,939,043	Treasury 4.25% Stock 7/3/2036	30,342	3.46
		119,593	**13.62**

UK Sterling Denominated Variable Rate Corporate Bonds – 6.64%; 28.2.2018 9.23%

Holding or Nominal Value	Investment	Market Value £000's	% of Total Net Assets
£7,875,000	AA Bond 2.75% Variable Rate Bonds 31/7/2043	7,003	0.80
£7,000,000	Aviva 6.125% Guaranteed Perpetual Bonds	7,448	0.85
£3,070,000	AXA 5.453% Subordinated Perpetual Floating Rate Notes	3,268	0.37
£2,350,000	Clerical Medical Finance 7.375% Perpetual Floating Rate Bonds	2,387	0.27
£7,800,000	Électricité de France 5.875% Perpetual Subordinated Floating Rate European Medium Term Notes	7,752	0.88
£2,200,000	ELM 6.3024% Guaranteed Perpetual Floating Rate European Medium Term Bonds	2,214	0.25
£7,158,958	Greene King Finance 3.4064% Floating Rate Asset Backed European Medium Term Notes 15/12/2033	7,018	0.80
£4,500,000	Legal & General 5.875% Guaranteed Perpetual Subordinated Floating Rate European Medium Term Bonds	4,513	0.51
£10,160,000	NGG Finance 5.625% Floating Rate Notes 18/6/2073	10,838	1.24
£3,260,000	Thames Water Utilities Cayman Finance 5.75% Floating European Medium Term Bonds 13/9/2030	3,540	0.40
£2,124,000	Zurich Finance (UK) Variable Rate 6.625% Guaranteed Perpetual Notes	2,349	0.27
		58,330	**6.64**

Holding or Nominal Value	Investment	Market Value £000's	% of Total Net Assets
EURO – 12.71%; 28.2.2018 2.46%			
Euro Denominated Fixed Rate Corporate Bonds – 10.53%; 28.2.2018 2.46%			
€8,250,000	Altria 2.2% Bonds 15/6/2027	7,058	0.80
€2,640,000	Argentum Netherlands for Zurich Insurance 2.75% Bonds 19/2/2049ø	2,281	0.26
€3,000,000	AT&T 2.45% Bonds 15/3/2035	2,361	0.27
€3,200,000	BHP Billiton Finance 5.625% Bonds 22/10/2079ø	3,223	0.37
€5,250,000	FCE Bank 1.615% European Medium Term Notes 11/5/2023	4,301	0.49
€9,305,000	Fortum 1.625% European Medium Term Notes 27/2/2026	8,000	0.91
€18,670,000	GE 4.125% European Medium Term Notes 19/9/2035	17,549	2.00
€3,000,000	Iberdrola International 3.25% Perpetual Bonds	2,621	0.30
€5,800,000	Jaguar Land Rover Automotive 4.5% Bonds 15/1/2026ø	4,167	0.47
€6,835,000	Sky 2.5% European Medium Term Notes 15/9/2026	6,341	0.72
€9,100,000	Suez 2.875% Perpetual Bonds	7,880	0.90
€2,800,000	Unibail-Rodamco SE 2.125% Perpetual Bondsø	2,352	0.27
€7,805,000	Verizon Communications 2.875% Bonds 15/1/2038	7,002	0.80
€15,000,000	Volkswagen International Finance 2.625% Bonds 16/11/2027ø	13,007	1.48
€5,100,000	Volkswagen International Finance 4.625% Perpetual Bonds	4,322	0.49
€1,100,000	Winstar Communications 12.75% Senior Notes 15/4/2010^	–	0.00
		92,465	**10.53**
Euro Denominated Variable Rate Corporate Bonds – 2.18%; 28.2.2018 0.00%			
€2,565,000	Bayer 2.375% Floating Rate Bonds 2/4/2075ø	2,169	0.25
€5,400,000	ENGIE 3.875% Perpetual Subordinated Variable Rate Notes	4,878	0.55
€12,710,000	Orange 5% Perpetual Floating Rate European Medium Term Notes	12,136	1.38
		19,183	**2.18**
US DOLLAR – 0.00%; 28.2.2018 0.69%			
US Dollar Denominated Fixed Rate Corporate Bonds – 0.00%; 28.2.2018 0.69%			

Holding or Nominal Value	Investment	Underlying Exposure – Derivatives £000's	Market Value £000's	% of Total Net Assets
DERIVATIVES – 0.04%; 28.2.2018 0.16%				
Credit Default Swaps – (0.35)%; 28.2.2018 (0.03)%				
16,700,000	Citibank (General Electric) 1% 20/12/2020	12,132	(172)	(0.02)
146,300,000	Credit Suisse International (iTraxx) 1% 20/12/2023	127,797	(2,566)	(0.29)
3,453,310	Goldman Sachs International (iTraxx) 5% 20/12/2023	3,274	(321)	(0.04)
		143,203	**(3,059)**	**(0.35)**
Forward Currency Contracts – 0.57%; 28.2.2018 0.19%				
€14,530,000	Euro vs UK sterling	12,473	(401)	(0.04)
£129,705,940	UK sterling vs Euro	124,342	5,364	0.61
£290,639	UK sterling vs US dollar	278	13	0.00
$330,000	US dollar vs UK sterling	248	(5)	0.00
		137,341	**4,971**	**0.57**
Futures – (0.18)%; 28.2.2018 0.01%				
(137)	Euro-Bobl March 2019	15,566	(39)	0.00
(657)	Euro-Bund March 2019	88,027	(894)	(0.10)
532	Long Gilt June 2019	69,436	(738)	(0.08)
(114)	US 10 Year Note (CBT) June 2019	10,456	(3)	0.00
343	US 2 Year Note (CBT) June 2019	54,720	12	0.00
(66)	US Ultra Bond (CBT) June 2019	7,919	39	0.00
		246,124	**(1,623)**	**(0.18)**
Interest Rate Swaps – 0.00%; 28.2.2018 (0.01)%				
OTHER – 0.00%; 28.2.2018 0.00%				
Preference Shares – 0.00%; 28.2.2018 0.00%				
27,280	47210 Limited (preference shares)^^		**–**	**0.00**
Portfolio of investments			**855,936**	**97.48**
CASH EQUIVALENTS				
Short-term Money Market Funds – 1.01%; 28.2.2018 2.86%				
8,825,394	Institutional Cash Series plc – Institutional Sterling Liquidity Fund*		**8,825**	**1.01**
Net other assets			13,267	1.51
Total net assets			**878,028**	**100.00**

Unless otherwise stated, all securities are either listed on a recognised exchange or traded on an eligible securities market.
The counterparties to forward currency contracts are Barclays Bank Plc, BNP Paribas AG, Citigroup Global Markets Limited, Deutsche Bank AG, HSBC Bank Plc, J.P. Morgan Securities Plc, Royal Bank of Cananda, Royal Bank of Scotland Plc, Standard Chartered, State Street Global Advisors, Toronto-Dominion Bank and Société Générale SA.
^ Defaulted and fair valued at nil.
^^ Delisted and fair valued at nil.
* Managed by a related party.
ø All or a portion of this investment represents a security on loan, see note 2(b)(vi) for further details.
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.

Statement of Total Return
for the year ended 28 February 2019

	Notes	£000's	For the year to 28.2.2019 £000's	£000's	For the year to 28.2.2018 £000's
Income					
Net capital losses	3		(927)		(2,622)
Revenue	4	23,281		17,296	
Expenses	5	(4,018)		(2,955)	
Interest payable and similar charges	6	(209)		(636)	
Net revenue before taxation		19,054		13,705	
Taxation	7	–		(12)	
Net revenue after taxation			19,054		13,693
Total return before distributions			18,127		11,071
Distributions	8		(23,072)		(16,649)
Change in net assets attributable to unitholders from investment activities			**(4,945)**		**(5,578)**

Statement of Change in Net Assets Attributable to Unitholders
for the year ended 28 February 2019

	£000's	For the year to 28.2.2019 £000's	£000's	For the year to 28.2.2018 £000's
Opening net assets attributable to unitholders		666,566		492,607
Amounts receivable on issue of units	425,506		312,274	
Amounts payable on cancellation of units	(224,611)		(144,954)	
		200,895		167,320
Change in net assets attributable to unitholders from investment activities		(4,945)		(5,578)
Retained distribution on accumulation units		15,505		12,201
Unclaimed distributions over 6 years old		7		16
Closing net assets attributable to unitholders		**878,028**		**666,566**

Balance Sheet
at 28 February 2019

	Notes	28.2.2019 £000's	28.2.2018 £000's
Assets:			
Fixed assets			
– Investment assets		861,075	640,188
Current assets			
– Debtors	9	22,087	14,918
– Cash and bank balances	10	8,281	2,880
– Cash equivalents	11	8,825	19,041
– Cash collateral posted		1,641	260
Total assets		**901,909**	**677,287**
Liabilities:			
Investment liabilities		(5,139)	(2,520)
Creditors			
– Amounts due to futures clearing houses and brokers		(57)	(27)
– Cash collateral payable		–	(750)
– Distributions payable		(2,341)	(1,735)
– Other creditors	12	(16,344)	(5,689)
Total liabilities		**(23,881)**	**(10,721)**
Net assets attributable to unitholders		**878,028**	**666,566**

G D Bamping (Director)
R A R Hayes (Director)
BlackRock Fund Managers Limited
2 May 2019

1. Accounting and Distribution Policies

Accounting Policies

(a) 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.

(b) Revenue from fixed interest securities is recognised on an effective interest rate basis.

Accrued interest purchased and sold on interest bearing securities is excluded from the capital cost of these securities and dealt with as part of the revenue of the Fund.

All distributions from Collective Investment Schemes ("CIS") are recognised when the securities are quoted ex-dividend. All distributions from holdings in CIS are treated as revenue with the exception of the equalisation element, which is treated as capital.

All revenue is recognised as a gross amount that takes account of any withholding taxes but excludes any other taxes such as attributable tax credits.

Revenue from securities lending is accounted for net of associated costs and is recognised on an accruals basis.

Returns from bond futures are streamed into revenue and capital components.

Bank interest is recognised on an accruals basis.

(c) All expenses, except those relating to the purchase and sale of investments are charged against revenue. All expenses are recognised on an accruals basis.

(d) Provision for corporation tax is made at the current rate on the excess of taxable revenue over allowable expenses. Provision is made on all material timing differences arising from the different treatment of items for accounting and tax purposes. A deferred tax asset is recognised only to the extent that it is considered more likely than not that there will be taxable profits in the future against which the asset can be offset.

(e) The investments of the Fund have been valued at market values, defined as fair value, which is usually bid value at 12 noon on the last business day of the accounting period. In the case of an investment which is not quoted, listed or dealt in on a recognised market, or in respect of which a listed, traded or dealt price or quotation is not available at the time of valuation, the fair value of such investment shall be estimated with care and in good faith by a competent professional person, body, firm or corporation including the Manager's pricing committee and such fair value shall be determined on the basis of the probable realisation value of the investment. The Manager shall be entitled to adopt an alternative method of valuing any particular asset if it considers that the methods of valuation set out above do not provide a fair valuation of a particular asset or liability.

For Over-the-Counter ("OTC") derivatives including Credit Default Swaps, Currency Swaps, Forward Currency Contracts, Inflation Swaps, Interest Rate Swaps, OTC Options, Swaptions, Synthetic Caps, Total Return Swaps and Volatility Swaps; fair value is determined based on valuation pricing models which take into account relevant market inputs as well as the time values, liquidity and volatility factors underlying the positions. The fair value of exchange traded and over the counter derivatives represents the price that would be required to close out the contracts at the Balance Sheet date. Amounts due to and from an individual counterparty which falls under a legally enforceable master netting agreement are netted.

Investments in single priced Collective Investment Schemes have been valued at market values, defined as fair value, which is usually the latest available price at the Fund's 12 noon valuation point on the last business day of the accounting period.

(f) Any transactions in foreign currencies are translated into Sterling at the rates of exchange ruling on the date of any such transaction. Assets and liabilities in foreign currencies are translated into Sterling at the exchange rates ruling at 12 noon on the last business day of the accounting period. Revenue items in foreign currencies are translated into Sterling at the exchange rate when the revenue is received.

(g) Where appropriate, certain permitted financial instruments such as derivatives are used for efficient portfolio management. Where such financial instruments are used to protect or enhance revenue, the revenue and expenses derived therefrom are included in 'Revenue' in the Statement of Total Return. Where such financial instruments are used to protect or enhance capital, the gains and losses derived therefrom are included in 'Net capital losses' in the Statement of Total Return.

(h) Cash and bank balances consist of deposits held on call with banks and cash held with clearing brokers and counterparties. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(i) Cash collateral provided by the Fund is identified on the Balance Sheet as pledged cash collateral and is not included as a component of cash and cash equivalents.

For collateral other than cash provided by the Fund, the party to whom the collateral is provided has the right by contract to sell or repledge the collateral but has an obligation to return equivalent securities to the Fund on maturity or sale of the contract. The Fund classifies these assets on its Balance Sheet separately from other assets and identifies the asset as pledged investments. Such assets are valued consistently with the accounting policies listed above.

Cash collateral provided to the Fund by counterparties is identified in the Balance Sheet as cash collateral payable. The Fund may reinvest this cash collateral and the assets purchased are included in investment assets or cash equivalents on the Balance Sheet.

For collateral received from counterparties other than cash, a disclosure of the collateral provided is made in the notes to the financial statements.

Distribution Policies

(j) Returns from bond futures recognised as revenue from long positions form part of the distribution. Amounts recognised as revenue from short positions reduce the amounts available for distribution.

(k) All of the net revenue available for distribution at the final accounting period end will be distributed to unitholders with the balance attributable to accumulation unitholders retained within the Fund. In order to conduct a controlled dividend flow to unitholders, interim distributions may be made at the Manager's discretion, up to a maximum of the distributable revenue available for the period. Should expenses and taxation together exceed revenue, there will be no distribution and the shortfall will be met from capital.

(l) The Fund has satisfied the qualifying investment test as specified in S468L ICTA 1988 at all times throughout the distribution period. As such, any revenue available for distribution will be paid as an interest distribution.

(m) All expenses are reimbursed by capital for distribution purposes.

2. Financial Instruments and 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 following information is not intended to be a comprehensive summary of all risks and investors should refer to the Prospectus for a more detailed discussion of the risks inherent in investing in the Fund.

Risk management framework

The Manager has delegated the day-to-day administration of the investment programme to the Investment Manager. The Investment Manager is also responsible for ensuring that the Fund is managed within the terms of its investment guidelines and limits set out in the Prospectus. The Manager reserves to itself the investment performance, product risk monitoring and oversight and the responsibility for the monitoring and oversight of regulatory and operational risk for the Fund.

The Manager has appointed a risk manager who has responsibility for the daily risk management process with assistance from key risk management personnel of the Investment Manager, including members of the BlackRock Risk and Quantitative Analysis Group ("RQA Group") which is a centralised group which performs an independent risk management function. The RQA Group independently identifies, measures and monitors investment risk. The RQA Group tracks the actual risk management practices being deployed across the different funds. By breaking down the components of the process, the RQA Group has the ability to determine if the appropriate risk management processes are in place for the Fund. This captures the risk management tools employed, how the levels of risk are controlled, ensuring risk/return is considered in portfolio construction and reviewing outcomes.

The principal risk exposure of the Fund is set out as follows:

a) Market risk

Market risk arises mainly from uncertainty about future values of financial instruments influenced by other price, currency and interest rate movements. It represents the potential loss the Fund may suffer through holding market positions in the face of market movements. The Fund is exposed to market risk by virtue of its investments in equities, corporate bonds, government bonds, collective investment schemes, credit default swaps, futures contracts and forward currency contracts.

A key metric the RQA Group uses to measure market risk is Value-at-Risk ("VaR") which encompasses price, currency and interest rate risk. VaR is a statistical risk measure that estimates the potential portfolio loss from adverse market moves in an ordinary market environment. VaR analysis reflects the interdependencies between risk variables, unlike a traditional sensitivity analysis.

The VaR calculations are based on an adjusted historical simulation model with a confidence level of 99%, a holding period of one day and a historical observation period of not less than one year (250 days). A VaR number is defined at a specified probability and a specified time horizon. A 99% one day VaR means that the expectation is that 99% of the time over a one day period the Fund will lose less than this number in percentage terms. Therefore, higher VaR numbers indicate higher risk.

It is noted that the use of the VaR methodology has limitations, namely that the use of historical market data as a basis for estimating future events does not encompass all possible scenarios, particularly those that are of an extreme nature and that the use of a specified confidence level (e.g. 99%) does not take into account losses that occur beyond this level. There is some probability that the loss could be greater than the VaR amounts. These limitations and the nature of the VaR measure mean that the Fund can neither guarantee that losses will not exceed the VaR amounts indicated, nor that losses in excess of the VaR amounts will not occur more frequently.

The one day VaR as at 28 February 2019 and 28 February 2018 based on a 99% confidence level was 0.50% and 0.54% respectively.

i) Market risk arising from foreign currency risk

Exposure to foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Management of foreign currency risk

The net assets of the Fund are denominated mainly in Sterling, therefore the Balance Sheet and Statement of Total Return are unlikely to be directly affected by currency movements.

ii) Market risk arising from other price risk

Exposure to other price risk

Other price risk is the risk that the fair value or 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.

The Fund is exposed to other risk arising from its investments. The exposure of the Fund to other price risk is the market value of the investments held as shown in the portfolio statement of the Fund.

Management of other price risk

The Investment Manager manages the Fund's other price risk on a daily basis in accordance with the Fund's investment objective.

By diversifying the portfolio, where this is appropriate and consistent with the Fund's objectives, the risk that a price change of a particular investment will have a material impact on the Net Asset Value ("NAV") of the Fund is minimised. The investment concentrations within the portfolio are disclosed in the portfolio statement by investment type.

iii) Market risk arising from interest rate risk

Exposure to interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund is exposed to interest rate risk on its cash and bank balances held at The Bank of New York Mellon (International) Limited, amounts held at futures clearing houses and brokers, cash equivalent holdings and its investments in fixed and floating rate interest bearing securities where the value of these securities may fluctuate as a result of a change in interest rates. Cash held on deposit at The Bank of New York Mellon (International) Limited receives/incurs interest at the prevailing daily rate which may be negative depending on the currency in which the cash is held.

The Fund also has indirect exposure to interest rate risk through its investments in futures contracts, whereby the value of an underlying fund may fluctuate as a result of a change in interest rates through their investments in interest-bearing securities.

The interest rate risk profile of the Fund's investments as at 28 February 2019 was as follows:

Floating Rate Investments £000's	Fixed Rate Investments £000's	Non-interest Bearing Investments £000's	Total £000's
77,513	778,134	289	855,936

The interest rate risk profile of the Fund's investments as at 28 February 2018 was as follows:

Floating Rate Investments £000's	Fixed Rate Investments £000's	Non-interest Bearing Investments £000's	Total £000's
61,499	575,079	1,090	637,668

Management of interest rate risk

Interest rate risk exposure is managed by constantly monitoring the position for deviations outside a pre-determined tolerance level and, when necessary, rebalancing back to the original desired parameters.

b) Counterparty credit risk

Exposure to counterparty credit risk

Counterparty credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Fund is exposed to counterparty credit risk from the parties with which it trades and will bear the risk of settlement default.

Management of counterparty credit risk

Counterparty credit risk is monitored and managed by BlackRock's RQA Counterparty & Concentration Risk Team. The team is headed by BlackRock's Chief Counterparty Credit Officer who reports directly to the Global Head of RQA. Credit authority resides with the Chief Counterparty Credit Officer and selected team members to whom specific credit authority has been delegated. As such, counterparty approvals may be granted by the Chief Counterparty Credit Officer or by identified RQA Credit Risk Officers who have been formally delegated authority by the Chief Counterparty Credit Officer as deemed appropriate.

BlackRock's RQA Counterparty & Concentration Risk Team completes a formal review of each new counterparty, monitors and reviews all approved counterparties on an ongoing basis and maintains an active oversight of counterparty exposures.

The Manager maintains a list of approved counterparties. This list is regularly monitored and revised for changes based on the counterparty's creditworthiness, market reputation and expectations of future financial performance. Transactions will only be opened with financial intermediaries on the approved counterparties list.

i) Exchange Traded Financial Derivative Instruments

The Fund's holdings in futures contracts expose the Fund to counterparty credit risk.

Management of counterparty credit risk related to futures contracts

The exposure is limited by trading the contracts through a clearing house. The Fund's exposure to counterparty credit risk on contracts in which it currently has a gain position is reduced by such gains received in cash from the counterparty under the daily mark-to market mechanism on exchange traded futures contracts (variation margin). The Fund's exposure to credit risk on contracts in which it currently has a loss position is equal to the amount of margin posted to the counterparty which has not been transferred to the exchange under the daily mark-to-market mechanism. The counterparty for futures contracts is Goldman Sachs International.

Margin is paid or received on futures to cover any exposure by the counterparty or the Fund to each other. Margin receivable from the Fund's clearing brokers and various counterparties is included in "Cash and bank balances" on the Balance Sheet. Margin payable to the Fund's clearing brokers and various counterparties is included in "Amounts held at futures clearing houses and brokers" on the Balance Sheet.

Counterparty exposure has not been disclosed for exchange traded derivatives as the exchange requirements in respect of collateral mean that, in the opinion of the Manager, the counterparty risk is mitigated.

ii) Over-the-Counter ("OTC") Financial Derivative Instruments ("FDIs")

The Fund's holdings in OTC FDIs also expose the Fund to counterparty credit risk.

Counterparty credit risk arises from the failure of the counterparty to perform according to the terms of the contract. The Fund's exposure to counterparty credit risk is limited to the contracts in which it currently has a gain position reduced by the cash collateral received from the counterparty or to counterparties which have received collateral from the Fund.

All OTC FDIs are entered into by the Fund under an International Swaps and Derivatives Associations, Inc. Master Agreement ("ISDA Master Agreement") or similar agreement. An ISDA Master Agreement is a bilateral agreement between the Fund and a counterparty that governs OTC FDIs (including total return swaps) entered into by the parties. The parties' exposures under the ISDA Master Agreement are netted and collateralised together, therefore any collateral disclosures provided are in respect of all OTC FDIs entered into by the Fund under the ISDA Master Agreement, not just total return swaps. All collateral received/posted by the Fund under the ISDA Master Agreement is transferred bilaterally under a title transfer arrangement.

Cash held as security by the counterparty to derivative contracts is subject to the credit risk of the counterparty.

The carrying value of financial assets together with cash best represents the Fund's gross maximum exposure to counterparty credit risk at the reporting date, before including the effect of ISDA Master Agreements and close-out netting, which would reduce the overall counterparty credit risk exposure.

The Fund's maximum exposure to counterparty credit risk from holding forward currency contracts will be equal to the notional amount of the currency and any net unrealised gains or losses as disclosed in the portfolio statement.

Management of counterparty credit risk related to OTC FDIs

Forward currency contracts do not require variation margins and thus the counterparty credit risk is monitored through the BlackRock RQA Counterparty & Concentration Risk Team which monitors the creditworthiness of the counterparty. The counterparties for forward currency contracts are disclosed in the portfolio statement.

The lowest credit rating of any one counterparty as at 28 February 2019 was BBB+ (28 February 2018: BBB-) (Standard & Poor's rating).

The following tables detail the number of counterparties the Fund is exposed to by OTC FDIs type and the maximum exposure (which is calculated on a net basis) to any one counterparty.

28 February 2019

Counterparty	Credit default swaps £000's	Forwards £000's	Total Exposure £000's
Barclays Bank Plc	–	67	67
BNP Paribas AG	–	8	8
CitiGroup Global Markets Limited	(172)	60	(112)
Credit Suisse Securities (Europe) Limited	(2,566)	–	(2,566)
Deutsche Bank AG	–	3	3
Goldman Sachs International	(321)	–	(321)
HSBC Bank Plc	–	4,719	4,719
J.P. Morgan Securities Plc	–	12	12
Royal Bank of Canada	–	(15)	(15)
Royal Bank of Scotland Plc	–	24	24
Société Générale SA	–	(52)	(52)
Standard Chartered	–	(227)	(227)
State Street Global Advisors	–	105	105
Toronto-Dominion Bank	–	267	267

28 February 2018

Counterparty	Credit default swaps £000's	Forwards £000's	Total Exposure £000's
Bank of America Merrill Lynch	–	7	7
BNP Paribas Arbitrage SNC	(185)	25	(160)
HSBC Bank Plc	–	33	33
Toronto-Dominion Bank	–	982	982
Société Générale SA	–	241	241

iii) Trustee and Custodian

The Fund's Trustee and Custodian is The Bank of New York Mellon (International) Limited (the "Trustee" and "Custodian").

Substantially all of the investments other than FDIs of the Fund are held by the Custodian at year end. Investments are segregated from the assets of the Custodian, with ownership rights remaining with the Fund. Bankruptcy or insolvency of the Custodian may cause the Fund's rights with respect to its investments held by the Custodian to be delayed or limited. The maximum exposure to this risk is the total amount of equity and bond investments disclosed in the portfolio statement.

The Fund will be exposed to the credit risk of the Custodian, or any depositary used by the Trustee regarding cash balances held in accounts with same. In the event of insolvency or bankruptcy of the Custodian or any depositary used by the Trustee, the Fund will be treated as a general creditor of the Trustee.

Management of counterparty credit risk related to the Trustee and Custodian

To mitigate the Fund's credit risk with respect to the Trustee, the Investment Manager of the Fund employs specific procedures to ensure that the Trustee employed is a reputable institution and that the associated credit risk is acceptable to the Fund. The Fund only transacts with counterparties that are regulated entities subject to prudential supervision, or with high credit-ratings assigned by international credit-rating agencies.

The long term credit rating of the parent company of the Trustee and Custodian, The Bank of New York Mellon Corporation, as at 28 February 2019 was A (28 February 2018: A) (Standard & Poor's rating).

iv) Counterparties

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

Counterparty credit risk arising on transactions with brokers relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used.

Management of counterparty credit risk related to Counterparties

The Manager monitors the credit rating and financial position of the brokers used to further mitigate this risk.

v) Debt securities

Issuer credit risk is the default risk of one of the issuers of any securities held by the Fund.

Bonds or other debt securities involve credit risk to the issuer which may be evidenced by the issuer's credit rating. Securities and corporate which are subordinated and/or have a higher credit risk have a greater possibility of default than more highly rated securities. The Fund invests into sovereign debt which exposes the Fund to the risk that the issuer of the bonds may default on interest or principal payments.

Management of counterparty credit risk related to debt securities

To manage this risk the Investment Manager invests in a wide range of securities, subject to the investment objective of the Fund and monitors the credit ratings of the investments as disclosed in the portfolio statement. The ratings of the debt securities are continually monitored by the BlackRock Portfolio Management Group.

The following tables detail the credit rating profile of the debt securities held by the Fund as a percentage of the NAV as at the Balance Sheet date:

28 February 2019

Investment grade %	Non-investment grade %	Not rated %	Total %
85.98	7.31	4.15	97.44

28 February 2018

Investment grade %	Non-investment grade %	Not rated %	Total %
89.45	5.53	0.52	95.50

vi) Securities lending

The Fund engages in security lending activities which expose the Fund to counterparty credit risk. The maximum exposure to the Fund is equal to the value of the securities loaned.

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 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 (individually identified in the portfolio statement) and associated collateral received, analysed by borrowing counterparty as at the Balance Sheet date.

Counterparty	Counterparty's country of establishment	28 February 2019 Securities on loan £000's	28 February 2019 Collateral received £000's	28 February 2018 Securities on loan £000's	28 February 2018 Collateral received £000's
Barclays Bank Plc	UK	2,887	3,009	666	693
BNP Paribas Arbitrage (Euroclear)	France	2,529	2,642	–	–
BNP Paribas Arbitrage SNC	France	–	–	1,705	1,869
Citigroup Global Markets Limited	UK	3,841	4,047	12,409	12,912
Credit Suisse Securities (Europe) Limited	UK	5,502	6,077	863	954
Goldman Sachs International	UK	8,699	9,060	–	–
J.P. Morgan Securities Plc	UK	3,887	4,158	21,847	22,727
Merrill Lynch International	UK	1,258	1,323	–	–
Morgan Stanley & Co. International Plc	UK	13,243	13,857	16,936	17,623
Nomura International Plc	UK	–	–	557	620
UBS AG	Switzerland	961	1,024	2,206	7,223
Total		**42,807**	**45,197**	**57,189**	**64,621**

At 28 February 2019, collateral received from these borrowing counterparties comprised of 87.97% in debt securities, 6.59% equity securities and 5.44% in cash. (28 February 2018: 97.21% in debt securities and 2.79% in equity securities).

Non-cash collateral accepted is in the form of sovereign debt rated AA or better from approved governments only, supranational debt obligations rated AAA or better and equity securities listed on a recognised exchange.

Management of counterparty credit risk related to securities lending

To mitigate this risk, the Fund receives either cash or securities as collateral equal to a certain percentage in excess of the fair value of the securities loaned. The Investment Manager monitors the fair value of the securities loaned and additional collateral is obtained, if necessary. As at 28 February 2019 and 28 February 2018, all non-cash collateral received consists of securities admitted to or dealt on a recognised exchange.

The Fund also benefits from a borrower default indemnity provided by BlackRock Inc. The indemnity allows for full replacement of securities lent. BlackRock Inc. bears the cost of indemnification against borrower default.

vii) 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.

Management of counterparty credit risk related to collateral

The Fund uses collateral received from a counterparty to reduce the credit risk associated with any trading activity the Fund has engaged in.

Cash collateral posted by the Fund is separately identified on the Balance Sheet as cash collateral posted and is not included as a component of cash and cash equivalents. Cash collateral received by the Fund is reflected on the Balance Sheet as cash collateral payable.

As at 28 February 2019, collateral posted by the Fund in respect of OTC FDIs was £1,641,000 in the form of cash. Collateral received by the Fund in respect of OTC FDIs was £Nil.

As at 28 February 2018, collateral posted by the Fund in respect of OTC FDIs was £260,000 in the form of cash. Collateral received by the Fund in respect of OTC FDIs was £750,000 in the form of cash.

c) Liquidity risk

Exposure to liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulties in meeting its obligations associated with financial liabilities.

Liquidity risk to the Fund arises from the redemption requests of unitholders and the liquidity of the underlying investments the Fund is invested in. The Fund's unitholders may redeem their units on the close of any daily dealing deadline for cash equal to a proportionate share of the Fund's NAV. The Fund is therefore potentially exposed to the liquidity risk of meeting the unitholders' redemptions and may need to sell assets at prevailing market prices to meet liquidity demands.

The Fund is also exposed to the liquidity risk of daily margin calls on derivatives.

All non-derivative financial liabilities including distributions payable held by the Fund as at 28 February 2019 and 28 February 2018, based on contractual maturities, fall due within one to three months.

Management of liquidity risk

Liquidity risk is minimised by holding sufficient liquid investments which can be readily realised to meet liquidity demands.

At times of excessive redemptions the Manager may decide to defer redemptions at any valuation point to the next valuation point where the requested aggregate redemptions exceed 10 per cent of the Fund's NAV. This will therefore allow the Manager to protect the interests of continuing unitholders by allowing the Manager to match the sale of scheme property to the level of redemptions. This should reduce the impact of dilution on the Fund. All unitholders who have sought to redeem units at any valuation point at which redemptions are deferred will be treated consistently and any redemption requests received in the meantime will not be processed until the redemption requests that have been deferred to the subsequent valuation points have been processed.

The Fund's liquidity risk is managed on a daily basis by the Investment Manager in accordance with established policies and procedures in place. The portfolio managers review daily forward looking cash reports which project cash obligations. These reports allow them to manage the Fund's cash obligations.

d) Valuation of financial instruments

The Fund classifies financial instruments measured at fair value using a fair value hierarchy. The fair value hierarchy has the following categories:

Level 1 – Unadjusted quoted prices for identical instruments in active markets

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Fund does not adjust the quoted price for these instruments.

Level 2 – Valuation techniques using observable inputs other than quoted prices in level 1

This category includes instruments valued using quoted prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Valuation techniques used for non-standardised financial instruments such as OTC derivatives, include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity determined inputs.

Level 3 – Valuation techniques using significant unobservable inputs

This category includes all instruments where the valuation techniques used include inputs not based on market data and these inputs could have a significant impact on the instrument's valuation.

This category also includes instruments that are valued based on quoted prices for similar instruments where significant entity determined adjustments or assumptions are required to reflect differences between the instruments and instruments for which there is no active market.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. The determination of what constitutes 'observable' inputs requires significant judgement by the Investment Manager. The Investment Manager considers observable inputs to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The table below is an analysis of the Fund's investment assets and investment liabilities measured at fair value at the Balance Sheet date.

	Level 1 £000's	Level 2 £000's	Level 3 £000's	Total £000's
28 February 2019				
Investment assets	119,644	741,431	–*	**861,075**
Investment liabilities	(1,674)	(3,465)	–	**(5,139)**
28 February 2018				
Investment assets	88,740	551,448	–	**640,188**
Investment liabilities	(150)	(2,370)	–	**(2,520)**

* Includes defaulted and delisted securities fair valued at zero. These securities are identified on the portfolio statement.

Securities with a value less than £500 are not disclosed in the table above. These securities are identified on the portfolio statement.

e) Global exposure

The Manager is required by the COLL Sourcebook to employ a risk management process in respect of the Fund which enables it to accurately monitor and manage the global exposure from FDIs.

The Manager uses the Relative VaR methodology to measure the Fund's global exposure.

For Relative VaR, the VaR of the Fund's portfolio will not exceed twice the VaR of the reference portfolio. Utilisation refers to the level of risk taken in this context.

The tables below detail the highest, lowest and average utilisation of the VaR limit, expressed as a percentage of the respective relative VaR regulatory limit.

28 February 2019

Reference Portfolio	Highest utilisation of the VaR limit	Lowest utilisation of the VaR limit	Average utilisation of the VaR limit
BofA Merrill Lynch Sterling Corporate & Collateralised Index	44.44%	38.39%	40.80%

28 February 2018

Reference Portfolio	Highest utilisation of the VaR limit	Lowest utilisation of the VaR limit	Average utilisation of the VaR limit
BofA Merrill Lynch Sterling Corporate & Collateralised Index	44.61%	33.02%	37.95%

The exposures to FDIs at year end are marked on the portfolio statement.

f) Leverage

The use of derivatives may expose the Fund to a higher degree of risk. In particular, derivative contracts can be highly volatile and the amount of initial margin is generally small relative to the size of the contract so that transactions may be leveraged in terms of market exposure. A relatively small market movement may have a potentially larger impact on derivatives than on standard bonds or equities. Leveraged derivative positions can therefore increase a fund's volatility.

The leverage is calculated on a gross exposure basis, by taking the sum of the notional values of the derivatives used by the Fund, without netting, and is expressed as a percentage of the NAV.

The average level of leverage employed by the Fund during the year was 43.75% (28 February 2018: 42.30%).

3. Net Capital Losses

	For the year to 28.2.2019 £000's	For the year to 28.2.2018 £000's
The net capital losses comprise:		
Losses on non-derivative securities	(4,552)	(7,565)
Gains on derivative securities	3,584	5,454
Currency gains/(losses)	54	(498)
Custodian transaction costs	(13)	(13)
Net capital losses	**(927)**	**(2,622)**

4. Revenue

	For the year to 28.2.2019 £000's	For the year to 28.2.2018 £000's
Interest from overseas fixed interest securities	7,328	6,165
Interest from UK bank deposits	22	32
Interest from UK fixed interest securities	15,096	10,683
Returns from bond futures	613	303
Revenue from short-term money market funds	85	31
Securities lending revenue	112	82
UK dividends	25	–
Total revenue	**23,281**	**17,296**

5. Expenses

	For the year to 28.2.2019 £000's	For the year to 28.2.2018 £000's
Payable to the Manager or associates of the Manager:		
– Manager's charge	3,506	2,605
– Registrar's fees	326	229
	3,832	2,834
Other expenses:		
– Audit fee	7	7
– Legal and other professional fees	13	–
– Safe custody fees	69	43
– Trustee's fees	97	71
	186	121
Total expenses	**4,018**	**2,955**

6. Interest Payable and Similar Charges

	For the year to 28.2.2019 £000's	For the year to 28.2.2018 £000's
Interest on bank overdrafts	56	54
Interest paid on margin deposits	–	4
Return from credit default swaps	–	66
Return from short position bond futures	153	512
Total interest payable and similar charges	**209**	**636**

7. Taxation

(a) Analysis of tax charge

	For the year to 28.2.2019 £000's	For the year to 28.2.2018 £000's
Overseas tax	–	12
Total tax charge [see note 7(b)]	**–**	**12**

7. Taxation continued

(b) Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for an authorised unit trust. The differences are explained below:

	For the year to 28.2.2019 £000's	For the year to 28.2.2018 £000's
Net revenue before taxation	19,054	13,705
Corporation tax at 20% (28 February 2018: 20%)	3,811	2,741
Effects of:		
Movement in excess management expenses	(2)	2
Overseas tax	–	12
Revenue not subject to tax	(4)	–
Tax deductible interest distributions	(3,805)	(2,741)
Tax relief on overseas tax expensed	–	(2)
Total tax charge [see note 7(a)]	**–**	**12**

At 28 February 2019, the Fund had surplus management expenses of Nil (28 February 2018: £12,000). It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise these expenses and, therefore, a deferred tax asset of Nil (28 February 2018: £2,000) has not been recognised.

8. Distributions

	For the year to 28.2.2019 £000's	For the year to 28.2.2018 £000's
First distribution	5,279	3,826
Second distribution	5,800	4,512
Third distribution	6,166	4,130
Final distribution	6,626	4,788
	23,871	17,256
Add: Amounts deducted on cancellation of units	881	533
Less: Amounts received on issue of units	(1,681)	(1,140)
Distributions	**23,071**	**16,649**
The distributable amount has been calculated as follows:		
Net revenue after taxation	19,054	13,693
Add: Expenses reimbursed by capital	4,018	2,956
Distributions	**23,072**	**16,649**

Details of the interim and final distributions per unit are set out in the tables on pages 13 and 14.

9. Debtors

	28.2.2019 £000's	28.2.2018 £000's
Accrued revenue	12,818	8,821
Amounts receivable for issue of units	4,500	3,921
Sales awaiting settlement	4,769	2,176
Total debtors	**22,087**	**14,918**

10. Cash and Bank Balances

	28.2.2019 £000's	28.2.2018 £000's
Amount held at futures clearing houses and brokers	4,560	896
Cash and bank balances	3,721	1,984
Total cash and bank balances	**8,281**	**2,880**

11. Cash Equivalents

	28.2.2019 £000's	28.2.2018 £000's
Investment in short-term money market funds	8,825	19,041
Total cash equivalents	**8,825**	**19,041**

12. Other Creditors

	28.2.2019 £000's	28.2.2018 £000's
Accrued Audit fee	7	7
Accrued FCA fee	1	1
Accrued Manager's charge	958	501
Accrued Registrar's fee	89	86
Accrued Safe custody fees	14	12
Accrued Trustee's fee	26	13
Amounts payable for cancellation of units	2,472	1,321
Custodian transaction costs	2	5
Purchases awaiting settlement	12,775	3,743
Total other creditors	**16,344**	**5,689**

13. Contingent Assets and Liabilities

There were no contingent assets or liabilities at the Balance Sheet date (28 February 2018: Nil).

14. Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The following entities were related parties of the Fund during the year ended 28 February 2019:

Manager/Registrar: BlackRock Fund Managers Limited
Investment Manager: BlackRock Investment Management (UK) Limited
Securities lending agent: BlackRock Advisors (UK) Limited

The ultimate holding company of the Manager, Registrar, Investment Manager and securities lending agent is BlackRock Inc. ("BlackRock"), a company incorporated in Delaware, USA. PNC Financial Services Group Inc. PNC Financial Services Group Inc. ("PNC") is a substantial shareholder in BlackRock Inc. PNC did not provide any services to the Fund during the years ended 28 February 2019 and 28 February 2018.

The Manager acts as either principal or agent for the Trustee in respect of all transactions of units of the Fund. The aggregate monies received through issue and paid through cancellation of units are disclosed in the Statement of Change in Net Assets Attributable to Unitholders and note 8. Any amounts due to or from the Manager at the year end are disclosed in notes 9 and 12. Management fees and registration fees paid to the Manager are shown in note 5. The balances due at the year end in respect of these fees are shown in note 12. Securities lending revenue earned by the Fund is disclosed in note 4.

For holdings in Institutional Cash Series plc ("ICS"), there will be no initial charges or redemption charges payable on investments in the Fund, however, duties and charges may apply. ICS will be subject to fees and expenses which may include fixed management fees, performance fees, administration fees and custodial fees.

As at 28 February 2019 and 28 February 2018, none of the unitholders:

(i) are funds managed by the BlackRock Group or are affiliates of BlackRock Inc. or

(ii) are investors, other than those included in (i) above, who held 51% or more of the voting units in issue in the Fund and are as a result, considered to be related parties to the Fund.

15. Portfolio Transaction Costs

For the year ended 28 February 2019

		Direct Transaction Costs			
Purchases (excluding derivatives)	**Transaction Value £000's**	**Commissions £000's**	**%**	**Taxes £000's**	**%**
Debt instruments	997,118	–	–	–	–
Total purchases	**997,118**	**–**		**–**	
Total purchases including transaction costs	**997,118**				

		Direct Transaction Costs			
Sales (excluding derivatives)	**Transaction Value £000's**	**Commissions £000's**	**%**	**Taxes £000's**	**%**
Debt instruments	767,766	–	–	–	–
Total sales	**767,766**	**–**		**–**	
Total sales net of transaction costs	**767,766**				
Derivative transaction costs		**17**		**–**	
Total transaction costs		**17**		**–**	
Total transaction costs as a % of average net assets		**0.00%**		**0.00%**	

15. Portfolio Transaction Costs continued

For the year ended 28 February 2018

Purchases (excluding derivatives)	Transaction Value £000's	Direct Transaction Costs Commissions £000's	%	Taxes £000's	%
Debt instruments	708,284	–	–		–
Total purchases	**708,284**	**–**		**–**	
Total purchases including transaction costs	**708,284**				

Sales (excluding derivatives)	Transaction Value £000's	Direct Transaction Costs Commissions £000's	%	Taxes £000's	%
Debt instruments	547,043	–	–		–
Total sales	**547,043**	**–**		**–**	
Total sales net of transaction costs	**547,043**				
Derivative transaction costs		**15**			
Total transaction costs		**15**		**–**	
Total transaction costs as a % of average net assets		**0.00%**		**0.00%**	

The above analysis covers direct transaction costs incurred by the Fund during the year. However it is important to understand the nature of other transaction costs associated with different investment asset classes and instruments types.

For the Fund's investment transactions in debt instruments any applicable transaction charges form part of the dealing spread for these instruments. Transactions in money market instruments to manage the Fund's daily liquidity position are excluded from the analysis.

During the year the Fund utilised FDIs including credit default swaps, forward currency contracts and futures covering different underlying asset classes. The settlement values for opening and closing derivative positions are not comparable to principal values for transactions in direct holding investments and therefore purchase and sale amounts for derivative transactions are not quantified in the analysis above.

Transaction costs for derivatives positions will be either incurred as direct costs or form part of the dealing spread for the instruments. Any direct costs are identified in the analysis above. Dealing spread costs incurred by the Fund vary considerably for the different asset/instrument types depending on a number of factors including transaction value and market sentiment.

At the Balance Sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.52% (28 February 2018: 0.50%).

16. Units in Issue

The movement in units in issue for the year ended 28 February 2019 is as follows:

	A Income Units	A Accumulation Units	D Income Units	D Accumulation Units
Balance at the beginning of the year	12,318,859	17,790,010	122,062,476	42,181,548
Issued during the year	1,761,486	5,744,477	85,344,504	35,909,450
Cancelled during the year	(1,929,870)	(7,005,762)	(21,632,634)	(16,967,525)
Converted during the year	(138,508)	(30,394)	162,671	(20,091)
Balance at the end of the year	**12,011,967**	**16,498,331**	**185,937,017**	**61,103,382**

	S Income Units	S Accumulation Units	X Accumulation Units
Balance at the beginning of the year	78,160,241	117,610,576	67,823,707
Issued during the year	36,337,461	106,760,124	10,167,738
Cancelled during the year	(39,298,459)	(46,884,801)	(13,791,645)
Converted during the year	172,899	(45,322)	–
Balance at the end of the year	**75,372,142**	**177,440,577**	**64,199,800**

Revenue is allocated each day pro rata to the capital value of assets attributable to each class and taxation is computed by reference to the net revenue after expenses attributable to each class. The distribution per unit class is given in the distribution table. All unit classes have the same rights on winding up.

17. Post Balance Sheet Events

There have been no significant events subsequent to the year end, which, in the opinion of the Manager, may have had an impact on the financial statements for the year ended 28 February 2019.

Statement of Manager's Responsibilities

The Manager is required by the rules of the COLL Sourcebook to prepare the financial statements for each financial year. These financial statements must be prepared in accordance with generally accepted accounting standards in the United Kingdom to give a true and fair view of the state of affairs of the Fund at the year end and of the net revenue and net losses for the year.

The financial statements should comply with the disclosure requirements of the Statement of Recommended Practice (the "SORP") for Authorised Funds issued by the Investment Management Association (subsequently The Investment Association) and must comply with any relevant provisions of the Trust Deed.

The Manager is responsible for keeping such accounting records as are necessary to enable it to ensure that the financial statements comply with the COLL Sourcebook, the SORP and the Trust Deed.

Statement of the Trustee's Responsibilities in Respect of the Fund and Report of the Trustee to the Unitholders of the Fund for the Year Ended 28 February 2019

The Depositary in its capacity as Trustee of the Fund must ensure that the Fund is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Trust Deed and Prospectus (together "the Scheme documents") as detailed below.

The Trustee must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Fund and its investors.

The Trustee is responsible for the safekeeping of all the custodial assets and maintaining a record of all other assets of the Fund in accordance with the Regulations.

The Trustee must ensure that:

- the Fund's cash flows are properly monitored and that cash of the Fund is booked in cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units of the Fund are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Fund's assets is remitted to the Fund within the usual time limits
- the Fund's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ("the AFM"), which is the UCITS Management Company, are carried out (unless they conflict with the Regulations).

The Trustee also has a duty to take reasonable care to ensure that the Fund is managed in accordance with the Regulations and the Scheme documents of the Fund in relation to the investment and borrowing powers applicable to the Fund.

Having carried out such procedures as we considered necessary to discharge our responsibilities as Trustee of the Fund, it is our opinion, based on the information available to us and the explanations provided, that, in all material respects the Fund, acting through the AFM:

(i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Fund's units and the application of the Fund's income in accordance with the Regulations and the Scheme documents of the Fund; and

(ii) has observed the investment and borrowing powers and restrictions applicable to the Fund in accordance with the Regulations and the Scheme documents of the Fund.

The Bank of New York Mellon
(International) Limited

London
2 May 2019

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Independent Auditor's Report to the Unitholders of BlackRock Corporate Bond Fund

Opinion

We have audited the financial statements of BlackRock Corporate Bond Fund ("the Fund") for the year ended 28 February 2019 which comprise the Statement of Total Return and Statement of Change in Net Assets Attributable to Unitholders together with the Balance Sheet, the accounting policies of the Fund, the related notes and the Distribution Tables. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Fund as at 28 February 2019 and of the net revenue and the net capital losses on the scheme property of the Fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting standard applicable in the UK and Republic of Ireland'.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The manager is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority and the Trust Deed;
- the information given in the manager's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- there is nothing to indicate that proper accounting records have not been kept or that the financial statements are not in agreement with those records.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter in relation to which the Collective Investment Schemes Sourcebook of the Financial Conduct Authority rules requires us to report to you if, in our opinion:

- we have not received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

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Responsibilities of the manager

As explained more fully in the manager's responsibilities statement set out on page 51, the manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the manager is responsible for assessing the fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the manager either intends to liquidate the fund or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the unitholders of the fund, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the unitholders of the fund those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the fund and the unitholders of the fund as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP
Statutory Auditor

Edinburgh
2 May 2019

Supplementary Information

Efficient Portfolio Management Techniques

The Manager may, on behalf of each 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 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 Funds 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

The total value of securities on loan as a proportion of the Fund's NAV and total lendable assets, as at the balance sheet date, is 4.88% and 5.81% respectively.

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.

The total income earned from securities lending transactions is split between the relevant 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. Income earned during the year by the Fund from securities lending transactions is disclosed in the notes to the financial statements.

The value of securities on loan and associated collateral analysed by counterparty, as at 28 February 2019, is disclosed in the notes to the financial statements.

All securities on loan have an open maturity tenor as they are recallable 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 cash and underlying 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 28 February 2019.

Currency	Cash collateral received	Cash collateral posted	Non-cash collateral received
	£000's	£000's	£000's
Securities lending transactions			
CAD	–	–	2,468
CNY	–	–	1,150
DKK	–	–	2,156
EUR	–	–	25,015
GBP	2,460	–	2,945
HKD	–	–	290
JPY	–	–	26
NOK	–	–	420
SEK	–	–	196
SGD	–	–	5
USD	–	–	8,066
	2,460	**–**	**42,737**
OTC FDI			
GBP	–	1,641	–
	2,460	**1,641**	**42,737**
Total	**2,460**	**1,641**	**42,737**

As at 28 February 2019, all cash collateral received by the Fund was re-invested in money market funds managed by the Manager or its affiliates, as disclosed in the Fund's portfolio statement. The Fund is the legal owner of inbound collateral and can sell the assets and withhold the cash in the case of default. All cash received or 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.

Collateral continued

The returns earned by the Fund from the reinvestment of cash collateral in money market funds during the year ended 28 February 2019 is summarised below. These returns represent the accumulative total return of the representative money market fund for the year ended 28 February 2019. These returns do not take into account any interest payable to the counterparty under the relevant collateral arrangements.

Money market fund	Total return %
Institutional Cash Series plc	
Institutional Sterling Liquidity Fund – Agency Income class	0.84

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 28 February 2019.

Collateral type and quality	Maturity Tenor 8 - 30 days	91 - 365 days	More than 365 days	Open transactions	Total
	£000's	£000's	£000's	£000's	£000's
Collateral received – securities lending					
Fixed Income					
Investment grade	448	3,873	35,437	–	39,758
Equities					
Recognised equity index	–	–	–	2,948	2,948
ETFs					
UCITS	–	–	–	11	11
Non-UCITS	–	–	–	20	20
Total	**448**	**3,873**	**35,437**	**2,979**	**42,737**

Investment grade securities are those issued by an entity with a minimum investment grade credit rating from at least one globally recognised credit rating agency; Standard & Poor's, Moody's or Fitch.

A recognised equity index contains at least 20 equities where no single equity represents more than 20% of the total index and no five equities combined represent more than 60% of the total index.

The maturity tenor analysis for fixed income securities received as collateral is based on the respective contractual maturity date, while for equity securities and ETFs received as collateral are presented as open transactions as they are not subject to a contractual maturity date.

As at 28 February 2019, 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).

Collateral continued

The following table lists all the issuers of non-cash collateral received by the Fund by way of title transfer collateral arrangement across securities lending transactions as at 28 February 2019.

Issuer	Value	% of the Fund's NAV
	£000's	
Morgan Stanley & Co. International Plc	13,855	1.58
Goldman Sachs International	9,060	1.03
Credit Suisse Securities (Europe) Limited	4,623	0.53
Citigroup Global Markets Limited (Euroclear)	3,354	0.38
Barclays Bank Plc	2,918	0.33
BNP Paribas Arbitrage SNC	2,642	0.30
J.P. Morgan Securities Plc (Euroclear)	2,275	0.26
J.P. Morgan Securities Plc	1,884	0.22
Merrill Lynch International (Euroclear)	1,145	0.13
UBS AG (Euroclear)	981	0.11
Total	**42,737**	**4.87**

No securities collateral received from a single issuer, in relation to efficient portfolio management, has exceeded 20% of the Fund's NAV at the year end date.

The Fund has not been fully collateralised in securities issued or guaranteed by an EU member state at the year end date.

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