

BlackRock[®]

Richard Wingfield, Co-Portfolio Manager

January 2023

Fundamental Equities

**α Expert
insight**

BlackRock UK Absolute Alpha Fund

FOR PROFESSIONAL CLIENTS ONLY

AEH0123E/S-2676122-1/10

UK Absolute Alpha Fund



Bronze



Absolute Return team

Richard Wingfield, Co-Portfolio Manager,

Director with 11 years' experience. Richard has worked with on the UK Absolute Return team since its inception in 2013., and is also Head of Research for the UK Core Equity Team, where he coordinates all efforts behind the team's research resource.



Oliver Dixon, Co-Portfolio Manager,

Vice President. 7 years' experience with BlackRock having joined via the graduate program with rotations across European Equity, UK Equity and Global Emerging Markets teams. Oliver is a portfolio manager within the Absolute Return Team.



Nigel Ridge, Co-Portfolio Manager,

Managing Director with 34 years' industry experience.



About the Fund

Time-tested Philosophy: Consistent investment process since 2004, and a proven record managing through market cycles.

Deep knowledge of local market:

Over 1000 annual interactions with companies, brokers & industry experts and experience covering multiple business cycles. Library of bottom up research and financial modelling.

Leveraging the platform: Placed at the heart of the firm's extraordinary flow of information, research, and access to company management

Industry experience through a long/short lens

*based upon data from 2016-2021

Source: BlackRock, as of 31 December 2022. For illustrative purposes only

Fund characteristics

- ▶ Long / short equity fund based on **fundamental analysis**
- ▶ **Disciplined** net exposure, seeking **low volatility** & **low correlation** to equity markets
- ▶ Typical risk range **5-7%** (annualised volatility)*
- ▶ **Diversified** and **liquid** portfolio
- ▶ Offers a **potential lower risk** alternative to equities
- ▶ Diversified portfolio of **long, short** and **pair** strategies

UK Absolute Alpha Fund	
Manager	Richard Wingfield, Nigel Ridge & Oliver Dixon
Typical net exposure*	-10% to +30%
Typical gross exposure*	75% ~ 150%
Market Capitalisation	Large
	Mid
	Small
Style	Long / Short



Leveraging insights from the broader platform and apply these in a UK context

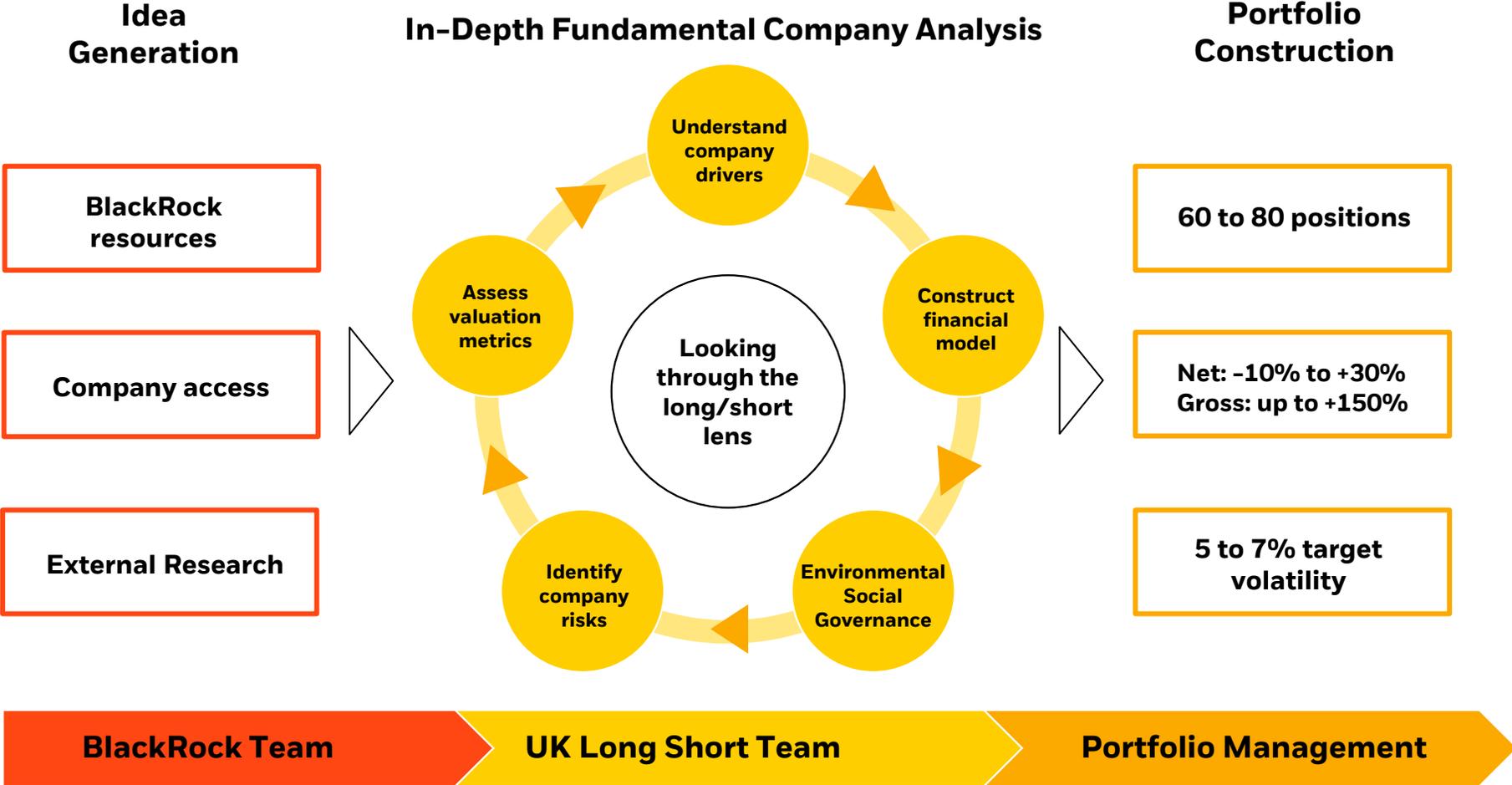
Source: BlackRock as at 31 December 2022. The number of shares for each Fund is indicative and actual numbers may fall outside the ranges shown.

The Fund is actively managed and the IA has discretion to select the Fund's investments and is not constrained by any benchmark in this process. 3 Month Sterling Overnight Index Average Rate (SONIA) compounded in arrears plus 11.9 basis points spread should be used by unitholders to compare the performance of the Fund.

Fund Risks: The Fund uses derivatives as part of its investment strategy including the establishment of both 'long' and 'synthetic short' positions and the creation of market leverage for the purposes of increasing the economic exposure of a Fund beyond the value of its net assets. This use of derivatives may increase the overall risk profile of the Fund. The value of this Fund does not typically move in line with general market trends and is not expected to reap the full benefits of a rising stock market. Investment strategies employed by the manager may affect the risk profile of the fund, as both positive and negative share movements affect the overall value of the Fund. Investors in this Fund should understand that the Fund is not guaranteed to produce a positive return and as an absolute return product, performance may not move in line with general market trends or fully benefit from a positive market environment. The Manager employs a risk management process to oversee and manage derivative exposure within the Fund. Investment process is subject to change and provided here for illustrative purposes. The target risk can be changed at the discretion of the investment manager, and there is no guarantee that the target will be met. Assumptions on which targets were calculated may not materialize.

*Portfolio Managers' current process, which is subject to change without notice

Our investment approach: Leveraging our resource strength



Source: BlackRock as at 31 December 2022. Investment process and portfolio construction is subject to change and provided here for illustrative purposes. The target risk can be changed at the discretion of the investment manager, and there is no guarantee that the target will be met. Assumptions on which targets were calculated may not materialize.

Performance summary – Returns (net), primary class

UK Absolute Alpha fund (GBP, net) %	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
January	--	1.57	2.16	1.25	0.46	0.41	0.16	-0.08	-0.08	0.32	-0.75	-2.23	-1.02	-0.81	2.75	0.90	-1.63	0.26
February	--	2.22	0.76	2.39	-0.31	0.00	0.00	1.85	-0.42	-0.64	0.15	-0.07	0.55	-0.95	1.99	-1.41	0.20	0.78
March	--	1.80	-0.17	1.21	-0.31	0.65	0.24	0.66	-1.58	0.32	2.80	0.43	0.89	-0.48	-0.61	-2.47	2.04	0.50
April	--	1.12	1.35	0.37	4.00	-0.24	-0.71	0.90	-1.02	-2.57	0.29	-0.43	0.68	1.10	2.58	1.86	-0.52	1.06
May	0.67	-1.56	1.08	1.78	2.07	-1.13	-1.50	-0.89	1.20	0.74	2.57	2.14	-0.07	0.07	-0.07	-0.33	-0.95	1.95
June	1.61	0.84	-0.66	2.19	0.22	-1.64	-0.48	-0.98	-0.42	0.82	-0.07	-1.47	0.07	0.14	0.20	1.38	0.43	-0.94
July	2.75	0.09	1.08	-1.93	0.07	0.83	-0.40	-0.41	0.59	0.97	1.07	1.35	-0.27	-0.27	-0.46	-1.23	0.59	1.58
August	2.60	0.93	0.90	-1.60	1.25	-0.66	-3.48	-0.75	-0.68	2.73	-0.35	0.28	-0.27	-0.82	0.27	-0.65	0.71	0.85
September	-1.46	0.55	0.41	-2.00	0.66	2.83	-0.08	0.75	-1.70	1.09	-0.57	0.00	0.27	-0.48	0.73	-0.99	-0.19	-0.96
October	-1.28	1.37	1.21	-3.39	0.00	0.32	1.34	-0.67	1.90	-1.16	1.07	0.28	0.41	-0.83	0.53	-1.20	-0.13	0.74
November	0.50	1.35	0.72	0.08	-0.65	1.21	-0.83	0.50	3.40	3.05	0.50	0.70	0.07	-1.67	0.46	2.02	-0.19	0.52
December	1.39	2.48	1.51	1.64	0.58	1.04	-0.42	0.33	2.38	0.83	0.92	1.52	0.13	0.00	0.72	1.52	0.91	0.35
YTD	6.89	13.46	10.82	1.80	8.24	3.59	-6.07	1.18	3.49	6.58	7.83	2.44	1.43	-4.90	9.39	-0.71	1.24	6.86
BM YTD*	3.12	4.83	6.03	5.52	1.21	0.70	0.87	0.83	0.52	0.54	0.57	0.50	0.35	0.72	0.81	0.29	0.09	1.52

Net returns since inception (May 2005)

Cumulative/Comp. BM*	101.29%/32.98%
Annualized/Comp. BM*	4.04%/1.63%
Estimated strategy assets	USD 1693m ²

Risk statistics since inception (May 2005)

Annualized volatility	4.54%
Beta**	0.15
Correlation	0.44
Sharpe ratio	0.45

41.00% cumulative performance since 1 April 2013

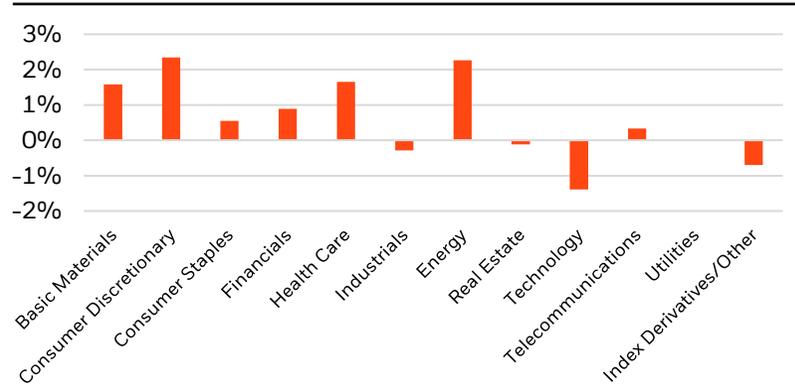
Positive returns across different market environments

The figures shown relate to past performance. Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy. **2011 returns are hypothetical because the results reflect two share classes and the combined performance was not achieved by an actual account. Variations may arise due to the hedging methodology used and the nature of currency movements.** Risks: There is no guarantee of a positive return in current or future calendar years.

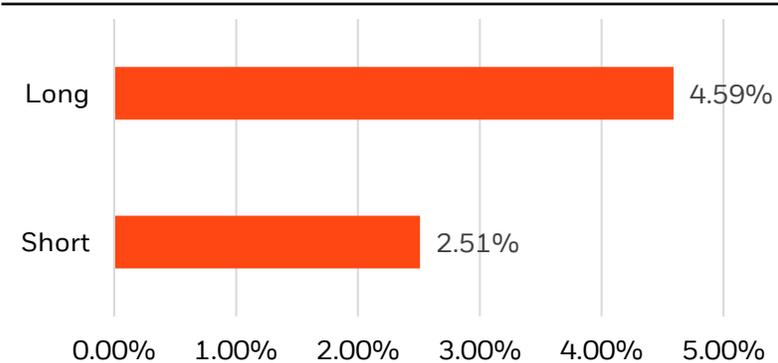
Source: BlackRock. ¹Estimated assets in strategy including managed accounts. Performance data as at 31 December 2022 and risk data as at 31 December 2022. The table above shows Class A returns to 31 July 2009, Class D returns thereafter. From 1 September 2007, Class A units no longer available for further investment. Nigel Ridge joined the strategy on 1 April 2013. Richard Wingfield joined the strategy on 1 June 2020. The Fund is actively managed and the Investment Adviser (IA) has discretion to select the Fund's investments and is not constrained by any benchmark in this process. LIBOR 3 Month (GBP) should be used by unitholders to compare the performance of the Fund. ²Estimated assets in strategy including managed accounts as at 31 December 2022. *Comparator benchmark: 3 Month SONIA Compounded in Arrears + 11.9 bp spread (GBP). Prior to 15 December 2021, the Fund used the 3M LIBOR (GBP) as benchmark. **Monthly data annualized since inception. Risk data shown versus FTSE All Share Index. NB This is for marketing **only** and does not apply to fund/composite reporting

UK Absolute Alpha 2022 performance drivers: +6.86%

Contribution by sector



Contribution by long/short



Top 5 performers (L = long; S = short)

Top Performers	Sector	L/S	Total
ASTRAZENECA PLC	Health Care	Long	1.69%
PEARSON PLC	Consumer Discretionary	Long	1.43%
SHELL PLC	Energy	Long	1.22%
STANDARD CHARTERED PLC	Financials	Long	1.10%
BRITISH AMERICAN TOBACCO PLC	Consumer Staples	Long	0.99%

Bottom 5 performers (L = long; S = short)

Top Detractors	Sector	L/S	Total
AUTO TRADER GROUP PLC	Technology	Long	-1.25%
TAYLOR WIMPEY PLC	Consumer Discretionary	Long	-0.87%
TESCO PLC	Consumer Staples	Long	-0.65%
RENTOKIL INITIAL PLC	Industrials	Long	-0.51%
MOONPIG GROUP PLC	Consumer Discretionary	Long	-0.51%

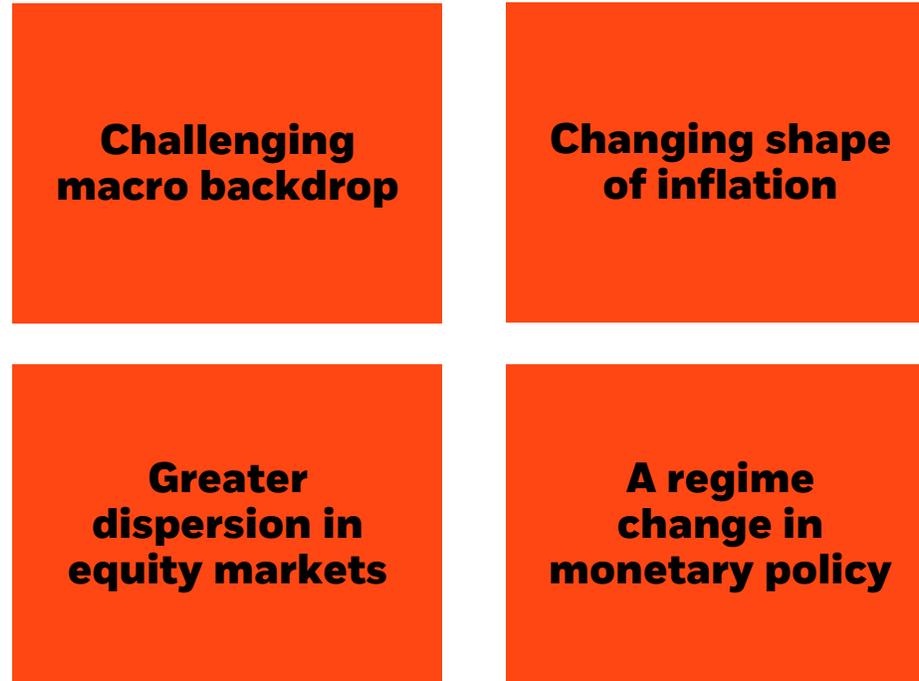
Positive returns in 10 of the last 12 months

The figures shown relate to the past. Past performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or a strategy.

Source: BlackRock. Based on gross returns of the UK Absolute Alpha Fund. Contribution stated gross of fees. 'Index' denotes index futures. Holdings can change at any time and are provided for informational purposes only and should not be deemed as a recommendation to buy or sell the securities mentioned or securities in the industries shown above. The specific companies identified and described above do not represent all of the companies purchased or sold, and no assumptions should be made that the companies identified and discussed were or will be profitable. Data as at 31 December 2022.

Outlook

We believe the current environment creates an attractive alpha opportunity in UK equities for flexible long/short investors



The next 5 years is going to look very different to the last 5!

The opinions expressed may change as subsequent conditions vary. There is no guarantee that any forecasts made will come to pass. Reliance upon information in this material is at the sole discretion of the reader.

Source: BlackRock. As at 31 December 2022.

Risk warnings

Capital at risk. The value of investments and the income from them can fall as well as rise and is not guaranteed. Investors may not get back the amount originally invested.

Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Levels and basis of taxation may change from time to time.

Past Performance is not a reliable indicator of current or future results and should not be the sole factor of consideration when selecting a product or strategy.

Fund Specific Risks For The BlackRock UK Absolute Alpha Fund:

Sector Risk: Investment risk is concentrated in specific sectors, countries, currencies or companies. This means the Fund is more sensitive to any localised economic, market, political or regulatory events.

Equities Risk: The value of equities and equity-related securities can be affected by daily stock market movements. Other influential factors include political, economic news, company earnings and significant corporate events.

Absolute Return Risk: Due to its investment strategy an 'Absolute Return' fund may not move in line with market trends or fully benefit from a positive market environment.

Derivatives 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.

Counterparty Risk: The insolvency of any institutions providing services such as safekeeping of assets or acting as counterparty to derivatives or other instruments, may expose the Fund to financial loss.

Important information

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