BLACKROCK NON-UCITS RETAIL FUNDS PROSPECTUS

10 April 2017

BLACKROCK®

BlackRock Fund Managers Limited

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BLACKROCK FUND MANAGERS LIMITED

BLACKROCK NON-UCITS RETAIL FUNDS

PROSPECTUS

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Valid as at
10 April 2017

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IMPORTANT: IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS PROSPECTUS YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER.

1. BlackRock Non-UCITS Retail Funds

This document is the 'Prospectus' of the authorised unit trust scheme detailed in this Prospectus. BlackRock Non-UCITS Retail Funds (the "**Trust**") is organised as an umbrella unit trust scheme comprising separate funds with segregated liability detailed in Appendix 1 from time to time (each referred to herein as a "Fund" and collectively the "Funds"), valid as at the date specified on the cover of this document. Each Fund shall have a segregated portfolio of assets and, accordingly, the assets of a Fund belong exclusively to that Fund and shall not be used or made available to discharge (directly or indirectly) the liabilities of, or claims against, any other person or body, including the Trust and any other Fund and shall not be available for any other purpose. The Funds are subject to the rules of the FCA as set out in the COLL Sourcebook. This Prospectus complies with the requirements of COLL 4.2 of the COLL Sourcebook. A simplified prospectus in respect of all the Funds referred to in this Prospectus, including historic performance data, is available from the Manager.

Subject to the above, each Fund will be charged with the liabilities and expenses attributable to that Fund and within the Fund charges will be allocated between classes of units in accordance with the terms of issue of units of those classes. Any assets, liabilities, expenses, costs or charges not attributable to a particular Fund may be allocated by the Trustee in consultation with the Manager in a manner which it believes is fair to unitholders generally within the same umbrella. This will normally be pro rata to the net asset value of the relevant Funds.

2. Distribution

No person has been authorised by the Manager to give any information or to make any representations in connection with the offering of units other than those contained in the Prospectus and, if given or made, such information or representations must not be relied on as having been made by the Manager. The delivery of this Prospectus (whether or not accompanied by any reports) or the issue of units shall not, under any circumstances, create any implication that the affairs of any Fund have not changed since the date hereof.

This Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which an offer or solicitation is not lawful or in which the person making such an offer or solicitation is not qualified to do so or to anyone to whom it is unlawful to make such a solicitation. It is the responsibility of any persons in possession of this Prospectus and any persons wishing to apply for units in the Funds to inform themselves of and to observe all applicable laws and regulations of any relevant jurisdiction. Prospective investors should inform themselves as to the legal requirements of applying for units and any applicable exchange control regulations and taxes in the countries of their respective citizenship, residence, domicile or incorporation.

The Funds do not benefit from any passports that would enable them to be marketed in the European Economic Area ("**EEA**") and, accordingly, units may not be marketed to EEA domiciled Professional Investors in any EEA territory other than the UK. Marketing to investors that are not Professional Investors is permitted only in accordance with the local laws applicable in the relevant jurisdiction where such marketing is taking place. For the purposes of this paragraph, 'Professional Investor' means an investor that is considered to be a professional client or that may, on request, be treated as a professional client within the meaning of Annex II of Directive 2004/39/EC (Markets in Financial Instruments Directive).

US Persons are not permitted to subscribe for units in the Funds. The units in the Funds have not and will not be registered under the United States Securities Act 1933, the United States Investment Company Act 1940, or the securities laws of any of any of the States of the United States of America and may not be directly or indirectly offered or sold in the United States of America or for the account or benefit of any US Person, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the United States Securities Act 1933, United States Investment Company Act 1940 and similar requirements of such state securities law.

The units have not been, nor will they be, qualified for distribution to the public in Canada as no prospectuses for the Funds have been filed with any securities commission or regulatory authority in Canada or any province or territory thereof. This document is not, and under no circumstances is to be construed, as an advertisement or any other step in furtherance of a public offering of units in Canada. No Canadian resident may purchase or accept a transfer of units unless he or she is eligible to do so under applicable Canadian or provincial laws.

Notwithstanding the above, all unitholders must meet the eligibility criteria set out in this Prospectus and the Trust Deed.

3. Glossary

AIFMD	Alternative Investment Fund Managers Directive (Directive 2011/61/EU) as implemented by Commission Delegated Regulation (EU) No. 231/2013 and transposed in the UK by UK SI 2013/1773 entitled 'Financial Services and Markets; The Alternative Investment Fund Managers Regulations 2013' and any other applicable UK national implementing measures, including (without limitation) the rules contained in the FCA Handbook, each as may be amended or updated from time to time.
Auditor	Ernst & Young LLP.

BlackRock Group	The BlackRock group of companies, the ultimate holding company of which is BlackRock, Inc.
Business Day	A day which is not a Saturday or Sunday or any other day recognised in England and Wales as a public holiday or any other day on which banks or the London Stock Exchange are not open for business in the UK. In addition, where a Fund invests outside the UK, the Manager may also take into account whether relevant local exchanges are open, and may elect to treat such closures as non-business days. A list of such days treated as non-business days for certain Funds from time to time can be obtained from the Manager upon request and is also available in the "Library" section on the "Individual Investor" and the "Intermediary" websites at www.blackrock.co.uk. This list is subject to change.
COLL Sourcebook	The collective investment schemes sourcebook which forms part of the FCA Handbook, as amended from time to time. References to rules or guidance in the COLL Sourcebook are prefaced by "COLL".
FCA	The Financial Conduct Authority or any other relevant successor regulatory body from time to time.
FCA Handbook	The FCA's handbook of rules and guidance, as amended from time to time.
Fund	An authorised unit trust scheme managed by the Manager, as is set out in Appendix 1 to this Prospectus and "Funds" shall mean any two or more of such authorised unit trust schemes.
Investment Manager	BlackRock Investment Management (UK) Limited.
Manager	BlackRock Fund Managers Limited, the alternative investment fund manager, or 'AIFM' of each Fund under the AIFMD.
Non-UCITS retail scheme	A scheme complying with the requirements of the COLL Sourcebook for a non-UCITS retail scheme.
Normal Business Hours	The hours between 8.30 a.m. and 5.30 p.m. on any Business Day.
PNC Group	The PNC group of companies, of which the PNC Financial Services Group, Inc. is the ultimate holding company.
Principal Distributor	BlackRock (Channel Islands) Limited.
Register	The register of unitholders for each of the Funds.
Registrar	BlackRock Fund Managers Limited or such other entity to whom it has delegated the registrar functions in respect of a Fund.
Safekeeping Function	The function of safekeeping the assets of the Funds, which includes (i) holding in custody all financial instruments that can be registered in a financial instrument account opened in the Trustee's books and all financial instruments that can be physically delivered to the Trustee; and (ii) for other assets, verifying the ownership of such assets and maintaining records accordingly.
SDRT	Stamp duty reserve tax.
Trust	BlackRock Non-UCITS Retail Funds.
Trust Deed	The instrument constituting the Trust and providing, among other things, for the Trustee's duties as depositary, as such instrument may be amended from time to time.
Trustee	BNY Mellon Trust & Depositary (UK) Limited, which has been appointed as the Funds' depositary within the meaning of the AIFMD.
UCITS	An undertaking for collective investment in transferable securities as defined in Directive EEC 85/611 as amended.
UK	The United Kingdom of Great Britain and Northern Ireland.

4. The Manager

BlackRock Fund Managers Limited acts as manager of the Funds and also of other authorised schemes listed in Appendix 2 "Other Authorised Schemes" for which separate prospectuses, simplified prospectuses and key investor information documents (in the case of UCITS schemes) are available.

The Manager (Registered Company No. 1102517) is a limited company incorporated in England on 20 March 1973 under the Companies Acts 1948 to 1967 for an unlimited duration. It is a subsidiary of BlackRock, Inc. and forms part of the BlackRock Group. The Manager is authorised and regulated by the FCA with permission to carry on the activity of 'managing an AIF' in the UK. As such, the Manager has been appointed to be the alternative investment fund manager of the Funds, each of which is an alternative investment fund, or 'AIF', for the purposes of the AIFMD.

The Trust Deed contains provisions governing the responsibilities of the Manager in relation to the management and administration of the Funds and the issue and redemption of the units. The Manager, as the alternative investment fund manager of each of the Funds, is responsible for the portfolio management of each Fund and exercising the risk management function in respect of each Fund. In addition, the Manager's duties include maintaining the books and records of each Fund, valuing each Fund's assets, calculating the net asset value of each Fund and the net asset value per unit and the general administration of the Funds, including the distribution of units. As the alternative investment fund manager of each of the Funds, the Manager is also responsible for ensuring compliance with the AIFMD in respect of each Fund. Professional liability risks resulting from those activities which the Manager carries out pursuant to the AIFMD, are covered by the Manager through 'own funds' (within the meaning of the AIFMD).

The Manager may delegate certain of its functions to third parties. Further details of the functions currently delegated by the Manager are set out in sections 6, 7, 8 and 9.

The registered office of the Manager is 12 Throgmorton Avenue, London, EC2N 2DL

The issued and paid-up share capital of the Manager is £18,100,000 divided into ordinary shares of £1 each.

The directors of BlackRock Fund Managers Limited, as at the date of this Prospectus, are named below:

G D Bamping

R A Damm

N C D Hall

R A R Hayes

A M Lawrence

E E Tracey

M T Zemek

N C D Hall and M T Zemek are non-executive directors. G D Bamping, N C D Hall, R A R Hayes and A M Lawrence are directors on the boards of other companies within the BlackRock Group. None of the directors' main business activities (which are not connected with the business of the Manager or any of its associates) is of significance to the Funds' business.

5. The Trustee

The Trustee of the Funds is BNY Mellon Trust & Depositary (UK) Limited, a private company limited by shares incorporated in England and Wales on 25 June 1998. Its ultimate holding company is The Bank of New York Mellon Corporation, a public company incorporated in the United States of America.

The registered office of the Trustee is 160 Queen Victoria Street, London, EC4V 4LA.

The Trustee is authorised and regulated by the FCA. The Trustee's principal business is acting as a trustee and depositary of collective investment schemes.

The Trustee has delegated certain safekeeping functions to The Bank of New York Mellon (International) Limited, as set out in more detail below. The Funds will pay fees to the Trustee of the Funds and a custody fee to The Bank of New York Mellon (International) Limited, details of which are disclosed in section 28.

The Trustee acts as the depositary of the Funds and, in doing so, shall comply with the provisions of the AIFMD and the terms of the Trust Deed in this regard. In this capacity, the Trustee's duties include, amongst others, the following:

(i) ensuring that each Fund's cash flows are properly monitored, and that all payments made by or on behalf of applicants upon the subscription of units of the Funds have been received;

(ii) safekeeping the assets of the Funds, which includes (i) holding in custody all financial instruments that can be registered in a financial instrument account opened in the Trustee's books and all financial instruments that can be physically delivered to the Trustee; and (ii) for other assets, verifying the ownership of such assets and maintaining records accordingly (the "Safekeeping Function");

(iii) ensuring that the sale, issue, re-purchase, redemption and cancellation of units of each Fund are carried out in accordance with applicable law and the Trust Deed;

(iv) ensuring that the value of the units of each Fund is calculated in accordance with applicable law and the Trust Deed;

(v) carrying out the instructions of the Manager, unless they conflict with applicable law or the Trust Deed;

(vi) ensuring that in transactions involving a Fund's assets any consideration is remitted to the relevant Fund within the usual time limits; and

(vii) ensuring that a Fund's income is applied in accordance with applicable law and the Trust Deed.

The Trustee has entered into a written agreement delegating the performance of its Safekeeping Function in respect of certain investments to The Bank of New York Mellon (International) Limited. The Trustee is liable to the Funds for the loss of financial instruments of the Funds which are held in custody as part of the Trustee's Safekeeping Function. The liability of the Trustee will not be affected by the fact that it has entrusted the Safekeeping Function to a third party save where this liability has been lawfully discharged to a delegate (any such discharge will be notified to the unitholders) or where the loss of financial instruments arises as a result of an external event beyond reasonable control of the Trustee as provided for under AIFMD. The Trustee will not be indemnified out of the assets of a Fund for the loss of financial instruments where it is so liable.

From time to time conflicts may arise between the Trustee and its delegate, for example, where an appointed delegate is an affiliated group company (as is the case) and is providing a product or service to a Fund and has a financial or business interest in such product or service or where an appointed delegate is an affiliated group company which receives remuneration for other related custodial products or services it provides to the Funds. The Trustee maintains a conflicts of interest policy to address this and the Trustee and the Custodian will ensure that such conflicts of interests are managed, monitored and disclosed in order to prevent adverse effects on the interests of the Trust and its unitholders..

For the purposes of this section, the following definitions shall apply:

"Link" means a situation in which two or more natural or legal persons are either linked by a direct or indirect holding in an undertaking which represents 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of the undertaking in which that holding subsists.

"Group Link" means a situation in which two or more undertakings or entities belong to the same group within the meaning of Article 2(11) of Directive 2013/34/EU or international accounting standards adopted in accordance with Regulation (EC) No. 1606/2002.

The following conflict of interest arises between the Trustee, the Custodian and the Trust:

A Group Link because the Manager has delegated certain administrative functions to an entity within the same corporate group as the Trustee and Custodian.

The Trustee shall ensure that policies and procedures are in place to identify all conflicts of interests arising from such Group Links and shall take all reasonable steps to avoid such conflicts of interests.

To the extent that a Link exists between the Trustee and any unitholders in the Trust, the Trustee shall take all reasonable steps to avoid conflicts of interests arising from such Link, and ensure that its functions comply with the regulations as applicable.

6. The Investment Manager

The Manager has delegated certain functions with respect to the portfolio management of the assets of each of the Funds and the performance of certain risk management functions to BlackRock Investment Management (UK) Limited. The registered office of the Investment Manager is 12 Throgmorton Avenue, London, EC2N 2DL. The Investment Manager is authorised and regulated by the FCA. The directors of the Investment Manager are: D J Blumer, N J Charrington, E J De Freitas, J E Fishwick, N C D Hall, K R Ironmonger, C R Thomson, R M Webb and M A Young. The Investment Manager's principal activity is providing collective portfolio management and risk management services.

The Investment Manager has been granted the authority to manage and make purchases and sales of investments for the appropriate Funds on the Manager's behalf and as the Manager's agent, within the investment policies of the Funds. The Investment Manager has discretion to buy, sell, retain, exchange or otherwise deal in investments, subscribe for new issues, and accept placings, underwritings or sub-underwritings for the relevant Funds. The Investment Manager may sub-delegate all or part of its functions to associates and shall seek the consent of the Manager prior to any such sub-delegation, including where the sub-delegation involves the exercise of its discretionary investment management powers.

The Investment Manager (or an associate to which a function has been delegated) reports to the board of the Manager on the performance of each Fund.

The Manager and the Investment Manager are members of the BlackRock Group and are associates. Their ultimate holding company is BlackRock, Inc., a US public company.

The Manager may terminate its investment management agreement with the Investment Manager upon notice with immediate effect. The Investment Manager may terminate its investment management agreement on giving three months' notice to the Manager, however, in certain limited circumstances (such as the Manager ceasing to be the 'AIFM' for the purposes of the AIFMD), the Investment Manager may terminate its investment management agreement with the Manager upon notice with immediate effect.

The Investment Manager's fees for acting as the investment manager of the Funds are paid by the Manager.

7. Principal Distributor

BlackRock Investment Management (UK) Limited is the Principal Distributor of the Funds. It is regulated by the FCA.

The Principal Distributor was incorporated with limited liability in England on 16 May 1986 for an unlimited period. The directors of the Principal Distributor are: D J Blumer, N J Charrington, E J de Freitas, J E Fishwick, N C D Hall, P M Olson, C R Thomson, R M Webb, and M A Young.

The registered office of the Principal Distributor is at 12 Throgmorton Avenue, London EC2N 2DL.

The Principal Distributor has authority to distribute the Funds directly, and also to appoint other distributors of the Funds, provided any such distribution is carried out in accordance with applicable law in the jurisdiction where such distribution is undertaken. The Principal Distributor may enter into retrocession arrangements with third party distributors.

The Principal Distributor is authorised by the Manager and entitled at its sole discretion, subject to FCA rules and without recourse or cost to the Funds, to rebate all of or part of the Manager's charges by way of initial or renewal commission or rebate of the annual management charge, to authorised intermediaries or to third party distributors or agents in respect of any subscriptions for, or holdings of, units for any investors, as further described in section 18. Payments of rebates are subject to the Manager receiving its fees and charges from the Funds. The Manager may also discount preliminary charges to directors and employees of the Principal Distributor and its affiliates.

The Principal Distributor has appointed BlackRock (Channel Islands) Limited ("BCI") to carry out certain administration services. BCI is a company incorporated with limited liability in Jersey on 10th August 1972 for an unlimited period.

The directors of BCI are: G D Bamping, E A Bellew, F P Le Feuvre, D Hellen and D McSporran.

The registered office of BCI is at Regus – Suite 130, Floor One, Liberation Station, Esplanade, Jersey JE1 OBR Channel Islands.

8. The Registrar

The Manager is the person responsible for maintaining the Register under the terms of the Trust Deed for each of the Funds. The Register for each of the Funds may be inspected at the registered office of the Manager by or on behalf of the unitholders, on any Business Day during Normal Business Hours. The Manager has delegated its registrar functions and the performance of transfer agency services to International Financial Data Services Limited and International Financial Data Services (UK) Limited (together and/or individually "**IFDS**").

The Register is conclusive evidence of the title to units except in the case of any default in payment or transfer to a Fund of cash or other property due and the Trustee and the Manager are not obliged to take notice of any trust or equity or other interest affecting the title to any of the units.

9. The Administrator

The Manager has delegated certain fund accounting and fund administration functions in respect of the Funds to The Bank of New York Mellon (International) Limited.

10. The Auditor

The auditor of the Funds is Ernst & Young LLP whose address is 1 More London Place, London, SE1 2AF. The Auditor's responsibility is to audit and express an opinion on the financial statements of each Fund in accordance with applicable law and auditing standards.

11. Unitholder's Relationship with a Fund

In order to subscribe for units, unitholders must complete an appropriate application form (the "**Form**"). By doing so, unitholders agree to subscribe for units and to be bound by the terms of this Prospectus and the Trust Deed (each Form, the Prospectus and the Trust Deed, together, the "**Subscription Documents**"). All unitholders are entitled to the benefit of, are bound by, and are deemed to have notice of, the provisions of the Trust Deed, copies of which are available as described in section 36(ix) below. The provisions of the Trust Deed are binding on the Trustee, the Manager and the unitholders and all persons claiming through them respectively as if all such unitholders and persons had been party to such Trust Deed. The Subscription Documents are governed by English law and the courts of England shall have jurisdiction in relation to claims made under them against parties domiciled in England or such jurisdiction as otherwise determined in accordance with Council Regulation (EC) No 44/2001.

Regulation (EC) 593/2008 ("**Rome I**") must be applied in all member states of the European Union (other than Denmark). Accordingly, where a matter comes before the courts of a relevant member state, the choice of a governing law in any given agreement is subject to the provisions of Rome I. Under Rome I, the member state's courts may apply any rule of that member state's own law which is mandatory irrespective of the governing law and may refuse to apply a rule of governing law if it is manifestly incompatible with the public policy of that member state. Further, where all other elements relevant to the situation at the time of the choice are located in a country other than the country whose law has been chosen, the choice of the parties shall not prejudice the application of provisions of the law of that other country which cannot be derogated from by agreement.

Unitholders should note that there are a number of legal instruments providing for the recognition and enforcement of foreign judgments in England. Depending on the nature and jurisdiction of the original judgment, Council Regulation (EC) No 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, Regulation (EC) No 805/2004 of the European Parliament and of the Council of 21 April 2004 creating a European Enforcement Order for uncontested claims, the Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters done at Lugano on 30 October 2007, the Administration of Justice Act 1920 and the Foreign Judgments (Reciprocal Enforcement) Act 1933 may apply. There are no legal instruments providing for the recognition and enforcement of judgments obtained in jurisdictions outside those covered by the instruments listed above, although such judgments might be enforceable at common law.

12. Unitholder's Rights Against Service Providers

The Trust is reliant on the performance of service providers, including the Investment Manager and the Auditor, whose details are set out herein (the "**Service Providers**").

No unitholder will have any direct contractual claim against any Service Provider with respect to such Service Provider's default. This is without prejudice to any right a unitholder may have to bring a claim against an FCA authorised Service Provider, the Manager or the Trustee under Section 138D of the Financial Services and Markets Act 2000 (which provides that breach of an FCA rule by such Service Provider, the

Manager or the Trustee is actionable by a private person who suffers loss as a result), or any tortious or contractual cause of action. Unitholders who believe they may have a claim under Section 138D of the Financial Services and Markets Act 2000, or in tort or contract, against any Service Provider, the Manager or the Trustee in connection with their investment in a Fund, should consult their legal adviser.

Unitholders who are "Eligible Complainants" for the purposes of the FCA "Dispute Resolutions Complaints" rules (natural persons, micro-enterprises and certain charities or trustees of a trust) are able to refer any complaints against the Manager or the Trustee to the Financial Ombudsman Service ("**FOS**") (further details of which are available in section 36(vi) and at www.financial-ombudsman.org.uk). Additionally, unitholders may be eligible for compensation under the Financial Services Compensation Scheme ("**FSCS**") if they have claims against the Manager, Trustee or another FCA authorised Service Provider (including the Investment Manager) which is in default. As set out in section 36(vii), there are limits on the amount of compensation available. Further information about the FSCS is at www.fscs.org.uk. To determine eligibility in relation to either the FOS or the FSCS, unitholders should consult the respective websites above and speak to their legal advisers.

The Trust Deed provides that the Trustee will be liable to the Funds for the loss by the Trustee, or a third party to whom it has entrusted custody, of financial instruments held in custody (provided that such liability has not been lawfully discharged). The Trust Deed imposes further duties and obligations on the Trustee. The Trustee will be liable for the breach of its obligations under the Trust Deed.

13. Purchase and Redemption of Units

(a) Liquidity management

The Manager maintains a liquidity management policy to monitor the liquidity risk of the Funds, which includes, among other tools and methods of measurement, the use of stress tests under both normal and exceptional circumstances.

The liquidity management systems and procedures employed by the Manager enable it to measure the liquidity of a Fund's portfolio against thresholds set by reference to each Fund's redemption policy. The Manager seeks to ensure that each Fund will remain within the liquidity limits set for it. The Manager is also able to apply various tools and arrangements necessary to respond appropriately to redemption requests. In normal circumstances, redemption requests will be processed as set out below in section 13(d). Other arrangements may also be used in response to redemption requests, including the use of the power of deferral or similar arrangements (as set out in this document, for example in section 13(e)) which, if activated, will restrict the redemption rights unitholders benefit from in the ordinary course. The Manager may also temporarily suspend redemptions in certain circumstances as set out in section 13(g).

(b) Purchase of units

Subject to the policy on pricing (see section 16), units in any Fund may normally be purchased during Normal Business Hours either by writing to the Manager, by telephoning its Investor Services Team on Freephone 0800 445522 or (when available) by such forms of electronic communication as may be approved by the Manager. It is currently not possible to purchase units over the telephone using a debit card or to set up direct debit mandates by telephone, however, this may be made available to investors in the future. To confirm whether this is available at the time of purchase please contact the Investor Services Team on Freephone 0800 445522. When units are purchased over the telephone, calls may be recorded by the Manager. When placing an order for the purchase of units, the Manager will request that an application form be completed and returned to the Manager.

The Manager reserves the right to reject, on reasonable grounds, any application for units in whole or in part. Failure to return a fully completed application form may result in a delay in the Manager processing any subsequent redemption request or may result in the Manager withholding redemption proceeds. Any such redemption monies will be held by the Manager in accordance with FCA rules on client money with a third party bank. No interest will be paid to investors during the period the monies are treated as client money.

All requests for purchase of units must be received by the dealing cut off time for the Funds as set out in Appendix 1, otherwise they will be held over to the next following valuation point. Purchase orders made by telephone or (when available) by electronic communication and received outside of Normal Business Hours will be effected as soon as possible on the next Business Day. Please note that monies received on a Business Day when there is not a valuation point will not be invested in the relevant Fund until the next valuation point. Any such monies will be held by the Manager in accordance with the FCA rules on client money with a third party bank. No interest will be paid to investors during the period the monies are treated as client money.

A contract note will be sent to the applicant on the next Business Day after the valuation point applicable to the deal. The contract note will show the price of the relevant units (per unit and the total cost), shown to at least four significant figures. If an investor has not already paid, it must ensure that the Manager receives payment by close of business on the third Business Day after the valuation point applicable to the deal. The Manager may however, subject to notifying the relevant investor prior to accepting a purchase request, require earlier payment. If timely settlement is not made, the Manager may, at its sole discretion, cancel the relevant subscription of units and/or an applicant may be required to pay an administration charge to the Manager to cover any costs and resultant losses incurred by the Manager and/or the Funds. Payment for the subscription of units can be by cheque or by electronic payment by prior arrangement with the Manager.

No certificates are issued for units in the Funds.

In accordance with the COLL Sourcebook the Manager reserves the right to refuse to issue units in certain circumstances, in particular where it has reasonable grounds to refuse the sale.

Unitholders must meet the investment criteria for any unit class in which they intend to invest (such as minimum initial investment and, for Class X units, having an agreement with the Manager, the Principal Distributor or one of their affiliates in relation to the holding of Class X units). If a purchase request is processed for units in a class in which a unitholder does not meet the investment criteria then the Manager reserves the right to switch the investor into a more appropriate class in the Fund (where available) or redeem the unitholder's units. In such a scenario the Manager is not obliged to give the unitholder prior notice of its actions and the investor bears any consequent risk including that of market movement.

(c) **Cancellation rights**

Unitholders have 14 days in which to cancel the relevant purchase if advised to purchase units by an authorised person through whom a unitholder's business is placed with the Manager unless an appropriate customer agreement exists between such authorised person and the unitholder. The 14 days commences upon receipt of the contract note by the unitholder. A unitholder will need to notify the Manager in writing that it wishes to exercise a right to cancel. Unitholders should note that exercising a right to cancel does not necessarily mean that a unitholder will receive back the amount invested. Unitholders will receive back an amount based on the purchase price next calculated following the Manager's receipt of a valid cancellation notice in writing. A unitholder which has not yet paid for the investment will be liable to make up any shortfall. Proceeds from cancellation will be retained in a client money account until the purchase payment has cleared. This may be for a period of up to 21 calendar days from the date of acquisition. No interest will be paid on cancellation monies.

(d) **Redemption of units**

Subject to the policy on pricing (see section 16), units in any Fund may normally be sold back to the Manager during Normal Business Hours on any Business Day either by application in writing to it, by telephone or by fax. When a unitholder redeems units over the telephone, calls may be recorded by the Manager. Redeeming unitholders must complete and sign a renunciation form, or write a letter confirming the redemption. This form is available from the Manager on request. In limited circumstances the Manager may at its discretion accept renunciation instructions in facsimile (followed by an original signature). The Manager does not normally accept renunciation or transfer instructions in electronic format. The Manager will send unitholders a repurchase contract note by close of business on the Business Day after the valuation point applicable to the deal. The proceeds will be sent to unitholders by the close of business on the third Business Day after the later of the following times:

(i) the valuation point at which the repurchase instructions were processed; or

(ii) the date of receipt of written instructions or document of renunciation.

All requests for redemption must be received by the dealing cut off time for the relevant Fund as set out in Appendix 1, otherwise they will be held over to the next following valuation point.

(e) **Deferred redemption**

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 % of a Fund's value. 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 subsequent valuation points have been processed.

(f) **In specie subscriptions and redemptions**

The Manager may, at its discretion, arrange for the Trustee to issue units in exchange for assets other than cash. The Trustee may, on the instruction of the Manager, pay out of a Fund assets other than cash as payment for the sale of units. An in specie subscription or in specie redemption will only take place where the Trustee has taken reasonable care to determine that it is not likely to result in any material prejudice to the interests of unitholders in the relevant Fund.

Where the Manager considers a cash subscription to be substantial in relation to the total size of a Fund it may require the investor to contribute in specie. The Manager may consider a deal in this context to be substantial if the relevant units constitute 5 % (or a lesser or higher percentage if considered appropriate) of those in issue in the relevant Fund.

The Manager will ensure that the beneficial interest in the assets is transferred to the Fund with effect from the issue of the units.

The Manager will not issue units in any Fund in exchange for assets the holding of which would be inconsistent with the investment objective or policy of that Fund.

If a unitholder wishes to sell units in any Fund representing 5 % or more of the value of that Fund the Manager can elect not to give the unitholder the proceeds of the sale of units but instead transfer property (i.e. underlying securities) of the relevant Fund to the unitholder (an "in specie redemption").

Where the Manager elects to carry out an in specie redemption, it must notify the unitholder of this in writing no later than the close of business on the second Business Day after the day on which it received selling instructions from the unitholder.

Where there is an in specie redemption, the Trustee will, in accordance with the rules of the COLL Sourcebook, cancel the units and transfer a proportionate share of the assets of the relevant Fund or such selection from the property of the Fund as the Trustee, after consultation with the Manager, decides is reasonable to the unitholder, in either case having regard to the need to be fair both to the unitholder taking the in specie redemption and to continuing unitholders.

Irrespective of the value of the units, where a unitholder wishes to redeem and the Manager has elected to provide an in specie transfer, the unitholder is entitled to instruct the Manager not to transfer assets, but to sell those assets (other than those in cash in the relevant currency) and pay to the unitholder the net proceeds of sale (and cash). However, instruction must be given by the unitholder in writing to the Manager by the close of business on the third Business Day after receipt of the Manager's notice of election to provide an in specie redemption. The value raised will not necessarily correspond with the applicable published bid price.

The Manager may, in its sole discretion, agree to a request from a unitholder for an in specie redemption where it receives such request in advance of the redemption request. Where the Manager does agree, the Trustee will transfer assets to the unitholder of the relevant Fund in the manner set out above.

(g) Suspension

The Manager may, with the prior agreement of the Trustee, and must without delay, if the Trustee so requires, temporarily suspend the sale and redemption of units for a period of time where due to exceptional circumstances it is in the interest of all unitholders in the relevant Fund.

The Manager and Trustee must ensure that the period of suspension is only allowed to continue for as long as it is justified having regard to the interest of unitholders and that dealing resumes as soon as practicable after the circumstances triggering a suspension have ceased. Upon suspension the Manager or the Trustee will immediately inform the FCA giving reasons for the suspension and notify any home state regulator in jurisdictions where units in the relevant Fund are available for sale.

The Manager will notify unitholders of the suspension as soon as practicable after the suspension commences and will formally review the suspension with the Trustee at least every 28 days, keeping the FCA informed. The Manager will resume issue and redemption in units after giving the requisite notice in accordance with the COLL Sourcebook. The Manager will publish sufficient details on its website to keep unitholders appropriately informed about the suspension including, if known, its likely duration.

(h) Conversion and switching rights

Where more than one class of unit is in issue in a Fund, the Manager may permit a unitholder to:

(i) Convert all or some of the units held from one class in that Fund (the "**Original Units**") for units of another class in the same Fund ("**New Units**"), subject to minimum investment and eligibility requirements. When units are converted, the number of New Units to be issued will be determined by applying a 'conversion factor' to the value of the Original Units held to determine the number of New Units to be issued. The conversion factor applicable to such unit conversion is available on request from the Manager in writing or by telephoning the Investor Services Team on 0800 445522, lines are normally open 8:30 am to 6:00 pm and for investor protection calls are normally recorded; or

(ii) Switch all or some of the units held from one class in that Fund (the "**Original Units**") into units of another Fund within the same umbrella or another BlackRock fund (the "**New Units**"). On a switch of units, the number of New Units issued will be determined by reference to the respective prices of New Units and Original Units at the valuation point applicable when the Original Units are redeemed and the New Units are issued. Any such exchange is treated as a redemption and sale.

Unitholders must provide written instructions to convert or switch holdings to the Manager which, in the case of joint unitholders, must be signed by all joint unitholders before a conversion or switch is effected. Conversions and switches are subject to the minimum investment and eligibility requirements. No conversion or switch will be made during any period when the right of unitholders to require a redemption of units is suspended.

The Manager, at its discretion, may make a charge for a conversion between units of the relevant Fund or a switch from the relevant Fund into other BlackRock funds as set out in Appendix 2. Any such charge does not constitute a separate charge payable by a unitholder but is only the application of any redemption charge on the Original Units and any preliminary charge of the New Units. Currently, such a charge will not apply in the case of a conversion of unit classes within the same Fund. Currently the Manager charges a fee on switches only equivalent to the preliminary charge for the Fund and unit class into which the unitholder is switching. The Manager at its discretion may discount this switching fee and pay all or part of such a discount to an intermediary.

A conversion or switch of units will only be accepted by the Manager if the conditions for holding the New Units are met, such as meeting the minimum holding. A switch between the relevant Fund and another Fund or other BlackRock Group funds will only be effected on a Business Day when both funds have valuation points.

Unitholders subject to UK tax should note that a switch of units between Funds (but not between unit classes in the same Fund) should be treated as a disposal for the purposes of Capital Gains Tax. Conversions between different unit classes in the same Fund should not give rise to a disposal for UK Capital Gains Tax purposes. Unitholders should seek their own professional tax advice in this regard.

A unitholder who switches units in one Fund for units in any other Fund will not be given a right by law to withdraw from or cancel the transaction.

Class X units are only available to unitholders who have entered into a separate agreement with the Manager, the Principal Distributor or one of their affiliates in relation to the holding of X units.

A unitholder in one Fund may exchange units for units in another Fund within the same umbrella. Any such exchange is treated as a redemption and sale. A charge may be made when switching units in one Fund for units in another Fund.

(i) Mandatory redemption, cancellation, switching, conversion or transfer of units

The Manager may from time to time take such action and impose such restrictions as it thinks necessary for the purpose of ensuring that no units in any Fund are acquired or held by any person in circumstances ("relevant circumstances") which constitute a breach of the law or governmental regulation (or any interpretation of a law or regulation by a competent authority) of any country or territory; or which would (or would if other units were acquired or held in like circumstances) result in any Fund incurring any liability to taxation or suffering any other adverse consequence (including a requirement to register under any securities or investment or similar laws or governmental regulation of any country or territory); and, in this connection, the Manager may reject at its discretion any subscription for, sale, switch, conversion or transfer of units.

In particular, the Manager has determined that US Persons are not permitted to own units. The term "US Person" means any US resident or other person specified in Regulation S under the United States Securities Act 1933, as amended from time to time and as may be further supplemented by the Manager.

If it comes to the notice of the Manager that any units ("affected units") have been acquired or are being held in each case whether beneficially or otherwise in any of the relevant circumstances referred to above or if it reasonably believes this to be the case the Manager may give notice to the holder of the affected units requiring the unitholder to transfer such units to a person who is qualified or entitled to own the units in question or to give a request in writing for the redemption or cancellation of such units. If any person upon whom such a notice is served does not within thirty days after the date of such notice transfer his units to a person qualified to hold the same, or establish to the satisfaction of the Manager (whose judgement shall be final and binding) that he and any person on whose behalf he holds the affected units are qualified and entitled to hold the units, he shall be deemed upon the expiration of that thirty day period to have given a request in writing for the redemption or cancellation (at the discretion of the Manager) of the affected units.

(j) Unpresented cheques, unclaimed or other balances

Where, upon the redemption of units, the proceeds are transferred to a unitholder by cheque and subsequently the unitholder fails to present the cheque for payment, the proceeds will be transferred to a client money account after a period of 6 months. Reasonable efforts will be made to contact unitholders at the address reflected in the Manager's records in order to facilitate payment of any outstanding balances due. However, if the Manager is unable to contact a unitholder, after a period of 6 years, such amounts shall be added to the capital property of the relevant Fund(s). No interest will be payable to unitholders in respect of amounts relating to unpresented cheques or other balances held or transferred as described above. By entering into a contract with the Manager or one of its affiliates, unitholders consent to this course of action.

Any other amounts received by the Manager during the course of any normal business transaction will, where applicable, be held in accordance with the FCA rules in respect of client money. No interest will be payable to unitholders in respect of any client money balances held.

No interest will be payable to unitholders in respect of amounts relating to individual transactions.

(k) Excessive Trading Policy

The Funds do not knowingly allow investments that are associated with excessive trading practices as such practices may adversely affect the interests of all unitholders. Excessive trading includes individuals or groups of individuals whose securities transactions seem to follow a timing pattern or are characterised by excessively frequent or large trades.

Unitholders should, however, be aware that the Funds may be utilised by certain investors for asset allocation purposes or by structured product providers, which may require the periodic re-allocation of assets between Funds. This activity will not normally be classed as excessive trading unless the activity becomes, in the opinion of the Manager, too frequent or appears to follow a timing pattern.

As well as the general power of the Manager to refuse subscriptions, switches, conversions or transfers at their discretion, powers exist in other sections of this Prospectus to ensure that unitholder interests are protected against excessive trading. These include:

(i) in-specie redemptions – section 13(f); and

(ii) conversion and switching rights – section 13(h).

In addition, where excessive trading is suspected, the Funds may:

(i) combine units that are under common ownership or control for the purposes of ascertaining whether an individual or a group of individuals can be deemed to be involved in excessive trading practices. Accordingly, the Manager reserves the right to reject any application for switches, conversions, transfers and/or subscription of units from investors whom they consider to be excessive traders; and

(ii) levy a redemption charge of 2% of the redemption proceeds to unitholders whom the Manager, in its reasonable opinion, suspects of excessive trading. This charge will be made for the benefit of the relevant Fund, and affected unitholders will be notified in their contract notes if such a fee has been charged.

(l) Compliance with applicable laws and regulations

As a result of any applicable laws and regulations, including but not limited to, relevant anti-money laundering legislation, tax laws and regulatory requirements, unitholders may be required, in certain circumstances, to provide additional documentation to confirm their identity, or provide other relevant information pursuant to such laws and regulations, as may be required from time to time, even if an existing unitholder. Any information provided by unitholders will be used only for the purposes of compliance with these requirements and all documentation will be duly returned to the relevant unitholder. Until the Manager receives the requested documentation or additional information, there may be a delay in processing any subsequent redemption request and the Manager reserves the right in all cases to withhold redemption proceeds until such a time as the required documentation or additional information is received. Any such redemption monies will be held by the Manager in accordance with FCA rules on client money with a third party bank. No interest will be paid to investors during the period such monies are treated as client money.

Alternatively, the Manager may employ a search of electronic data reference sources in order to access information held electronically concerning the identity of a unitholder, including information held by certain government and consumer agencies. By completing the relevant application forms or entering into a contract with the Manager or one of its affiliates, unitholders acknowledge that the Manager may at any time initiate a search of information held electronically in order to verify identity.

14. Valuation

The Manager calculates prices at which unitholders buy and sell units in accordance with Appendix 4, as permitted by the COLL Sourcebook. The basis of the calculation is the value of the underlying assets of the Fund. The Funds are valued both on an issue basis and on a cancellation basis, from which the 'buying' price (offer) and 'selling' price (bid) are determined, as detailed within Appendix 4. The difference between these two prices is known as the spread. The maximum permitted spread may be wider than the spread the Manager normally quotes for dealing, but the Manager may deal at any prices calculated in accordance with Appendix 4 and notified to the Trustee. The maximum offer price may not exceed the total of the issue price and the preliminary charge. The minimum bid price may not be less than the cancellation price. All the Funds are valued on each Business Day.

The valuation function is performed by the Manager in accordance with the AIFMD. The Manager makes use of a valuations pricing committee, which ensures that the valuation function is functionally and hierarchically independent from the portfolio management function of the Manager. Details and description of the applicable valuation procedures are contained in Appendix 4.

The Manager may at its discretion implement fair value pricing policies in respect of any of the Funds. Fair value pricing will only apply where the Manager has reasonable grounds to believe that no reliable price exists for one or more underlying securities at a valuation point or the most recent price available does not reflect the Manager's best estimate of the value of a security at the valuation point. In these circumstances the Manager may at its discretion value an investment at a price which, in its opinion, reflects a fair and reasonable price for that investment. Circumstances which may give rise to a fair value price being used include instances where there is no recent trade in the security concerned; or the occurrence of a significant event since the most recent closure of the market where the price of the security is taken. A significant event is one that means, in the Manager's judgement, the most recent price of a security or a basket of securities is materially different to the price that it is reasonably believed would exist at the valuation point had the relevant market been open. For this purpose, the Manager may utilise pre-determined trigger levels which take into account the materiality of any variance. The Manager's decision to use fair value pricing will also depend on the type of authorised fund concerned, the securities involved and the basis and reliability of the alternative price used.

When determining such fair value, one or more of a variety of fair valuation methodologies may be used (depending on factors including the asset type). For example, the asset may be priced on the basis of the original cost of the investment or, alternatively, using proprietary or third party models (including models that rely upon direct portfolio management pricing inputs and which reflect the significance attributed to the various factors and assumptions being considered). Prices of actual, executed or historical transactions in the relevant asset and/or liability (or related or comparable assets and/or liabilities) or, where appropriate, an appraisal by a third party experienced in the valuation of similar assets and/or liabilities, may also be used as a basis for establishing the fair value of an asset or liability.

The Manager may suspend dealing in any Fund if it cannot obtain prices on which to base a valuation (see section 13(g)). The Manager may, with the Trustee's prior agreement or if the Trustee requires it, suspend the repurchase of units in accordance with the COLL Sourcebook, as described above under the heading "Suspension".

The Manager's annual management charge (which is taken into account in valuations) is based upon values midway between the issue and cancellation basis.

Valuations are normally taken at a valuation point of 12.00 noon. The Manager may declare additional valuation points for any Fund at its discretion and with the Trustee's agreement. At a valuation point the Manager will calculate unit prices, using the most recent prices of the underlying securities that it can reasonably obtain. The objective is to give an accurate value of the Fund as at the valuation point. The base currency of each Fund is sterling.

15. Prices of Units and Historic Performance Data

The Manager will, on the completion of each valuation under section 14, advise the Trustee of the issue and cancellation prices. These are the prices which the Manager has to pay to the Trustee for the issue of units or which the Manager will receive from the Trustee upon the cancellation of units. The cancellation price last notified to the Trustee is available from the Manager on request. The Manager deals in units as principal and accordingly the offer and bid prices that it publishes from time to time are the prices that are relevant to unitholders or applicants. These prices must not be greater than the applicable issue price on that day plus the preliminary charge, nor less than the cancellation price. The Manager will notify the Trustee of the maximum issue price and minimum cancellation price at which it will deal.

Historic performance data (where available) is contained in the performance data supplement which forms part of the simplified prospectus which is available to unitholders on request from the Manager and to applicants prior to investment. For up to date information visit the Manager's website www.blackrock.co.uk or speak to its Investor Services Team on 0800 445522, lines are open between 8.30am and 6.00pm. Telephone calls may be recorded by the Manager.

16. Policy on Pricing

When units are purchased through the post, by telephone, by fax or (when available) by electronic communication, they will be sold on a forward pricing basis at the offer price calculated at the next valuation point (12.00 noon) after receipt of purchase instructions so long as these were received prior to the relevant Fund's dealing cut off time (where applicable).

When units are sold back to the Manager, units will be redeemed on a forward pricing basis at the bid price calculated at the next valuation point (12.00 noon) following receipt of a redemption instruction so long as these were received prior to the relevant Fund's dealing cut off time (where applicable).

If a purchase or sale order is for a total amount of £15,000 or more, it is considered to be a "large deal" and the Manager reserves the right to execute an order at a price higher than the published offer price or lower than the published bid price (as applicable). Should this prove to be the case, the price paid when buying units will not be higher than the maximum offer price, or when redeeming units, less than the cancellation price.

17. Minimum Investment and Minimum Holding

In the case of Class X Accumulation units and Class X Income units (as available), the minimum initial investment and minimum value of a holding in a Fund is £10,000,000. Unitholders may make subsequent investments for Class X units in a Fund in amounts of £100 or more.

In the case of Class C Accumulation units and Class E Accumulation units, the minimum initial investment and minimum value of a holding in a Fund is £50,000,000 and £20,000,000 respectively. This applies to registered unitholders and beneficial unitholders in respect of nominee arrangements. Unitholders may make subsequent investments for Class C Accumulation units or Class E Accumulation units, in a Fund in amounts of £100 or more.

For the avoidance of doubt Class C units and Class E units are intended for investment by all investors who are able to meet the minimum investment and holding criteria for that class. Nominee arrangements should not be used as a means of circumventing the investment minima for Class C units or Class E units where otherwise the individuals investing via the nominee arrangement would not be able to independently meet the investment minimum and holding criteria. Class X units are intended for investment by institutional style investors who are able to meet the minimum investment and holding criteria for the relevant class. It should be noted that pursuant to sections 13(b) and 13(i), the Manager reserves the right to switch the entire holding to a more appropriate class of units (where available) or redeem the entire holding. In such circumstances, the Manager is not obliged to provide prior notice and the unitholder bears the consequent risk including that of market movement.

In respect of Class C units, Class E units and Class X units unitholders may make withdrawals of £250 or more as set out in Appendix 1. When unitholders make a withdrawal, conversion, switching or transfer, the remaining balance of their holding must be at least equal to the minimum investment otherwise the Manager may at its discretion arrange to sell the holding and remit the proceeds to the relevant unitholder. If, as a result of a withdrawal, conversion, switching or transfer a small balance of units meaning an amount of £2 or less is held, the Manager shall have absolute discretion to realise this small balance and donate the proceeds to a UK registered charity selected by the Manager.

Minimum investment and holding amounts may be waived at the Manager's discretion.

18. Commission and Rebates

Where units are purchased through an authorised intermediary, the Principal Distributor (as authorised by the Manager) may, at its discretion, pay initial or renewal commissions to authorised intermediaries subject to FCA rules.

The amount of initial or renewal commission paid on a purchase will be shown on the relevant contract note sent to unitholders. The Manager will also advise unitholders of any initial or renewal commission to be paid in respect of a purchase, upon request. If a unitholder switches an investment from one Fund to another Fund or from one Fund into another of the BlackRock funds, the Manager normally allows a discount on the price at which units are purchased and/or pay a reduced commission to any intermediary concerned.

No initial or renewal commissions are paid in respect of Class C Accumulation units, Class E Accumulation units or Class X units.

Class X units are only available to unitholders who have entered into a separate agreement with the Manager, the Principal Distributor or one of their affiliates in relation to the holding of Class X units. The Principal Distributor (as authorised by the Manager) may also, at its discretion, waive any preliminary charge, in whole or in part, in respect of an application for Class C units, Class E units and Class X units, or, subject to FCA rules, determine to pay a rebate in respect of the payment of annual management charges in respect of any holding of Class C units or Class E units in certain funds to certain authorised intermediaries. The Principal Distributor currently pays rebates in respect of holdings in certain Funds by certain investors and authorised intermediaries including various associated companies in the BlackRock Group.

Subject to FCA rules, rebates of annual management charges may be agreed on certain Funds at the Manager's discretion and subject to the nature of the business provided by third party intermediaries to end investors. Rebates will not exceed the published amount of annual management charge payable in respect of those Funds.

The terms of any rebate will be agreed between the Principal Distributor and the authorised intermediary from time to time. If so required by applicable FCA rules, the authorised intermediary shall disclose to any of its underlying clients the amount of any rebate of annual management charge it receives from the Principal Distributor and the Manager shall also disclose to unitholders, upon request, details of any rebate paid by the Principal Distributor to an authorised intermediary in connection with a holding of units, where the authorised intermediary has acted on behalf of that unitholder.

The Manager may, at its discretion, discount any switching fee and pay some or all of the discount to an intermediary subject to FCA rules.

Payment of any rebate of annual management charge or of the preliminary charge ("commission") shall cease on the entry into force of any legislation and/or regulation prohibiting the payment of commission from product providers to counterparties, to the extent that such legislation and/or regulation affects the counterparties activities in any particular jurisdiction and/or sale of particular Funds.

In accordance with the FCA's Retail Distribution Review, neither the Manager nor the Principal Distributor is permitted to pay initial or renewal commission or rebate of the annual management charge, to authorised intermediaries or to third party distributors or agents in respect of any subscriptions for, or holdings of, units for any UK retail investors in respect of investments made as a result of the investor having received a personal recommendation on or after 31 December 2012.

19. Manager's Box

It is not the Manager's current policy to run a "box" (i.e. hold units in the Funds in its own accounts). However, in the event that the Manager retains units in a box the Manager is not obliged to account to the Trustee or to unitholders for any profit it may make on the issue of units, or on the re-issue or cancellation of any units redeemed.

20. Publication of Prices and Yields

The previous dealing day's bid and offer prices of units and the current estimated annual yields of the Funds, as well as the preliminary charge applicable for each Fund, will be made publicly available in a variety of sources but primarily through the Manager's website, www.blackrock.co.uk, or by calling its Investor Services Team on 0800 445522, lines are open between 8.30am and 6.00pm. Telephone calls may be recorded by the Manager. Please note that the published prices are for information only and these prices may not be the prices obtained when units are dealt. The Manager is not responsible for errors in publication or for non-publication. The cancellation price in the relevant Fund or Funds will be available, from the Manager, on request.

The units in the Funds are not listed or dealt in or on any investment exchange.

21. Classes of Units

Currently Class C Accumulation units are available in each of the Funds and Class E Accumulation units are available only in BlackRock Volatility Strategy Fund I, BlackRock Volatility Strategy Fund II, BlackRock Volatility Strategy Fund III and BlackRock Volatility Strategy Fund IV. Class C Income units, Class E Income units and Class X units may be made available at the Manager's discretion.

The classes of units currently available in each Fund are set out in Appendix 1. Each type of unit represents a beneficial interest in undivided shares in the property of the Fund as detailed below. Each unit, Accumulation or Income, represents one undivided share in the property of a Fund. Each undivided unit ranks pari passu with other undivided units in a Fund. The nature of the rights represented by units is that of a beneficial interest under a Trust. Unitholders are not liable for the debts of a Fund.

With the exception of Income units held in BlackRock Managed Volatility Fund, BlackRock Managed Volatility Fund II, BlackRock Managed Volatility Fund and BlackRock UK Managed Volatility Fund, where Income units are held, relevant unitholders will receive a net distribution payable monthly, quarterly, half-yearly or annually according to the distribution policy of the relevant Fund, details of which are set out in Appendix 1. This distribution will be paid either by cheque or directly into the bank account of the relevant unitholder. This net distribution is calculated by multiplying the number of Income units held on the last day of the relevant accounting period, by the net rate of distribution declared by the Manager. After a period of six years from the date of payment, any unclaimed distribution will be added to the capital property of the Fund and may be forfeited. No interest will be paid on unclaimed distribution monies.

Where Accumulation units are held there will not be any actual payment of income. The income attributable to the units will remain as property of the relevant Fund and the number of undivided shares represented by each Accumulation unit will be increased accordingly. The number of Accumulation units held will remain the same.

The Manager may adopt a policy of smoothing interim distributions for a Fund if it considers that this is in the interest of unitholders of the Fund and consistent with the objective and policy of the Fund.

The Trust Deed of the Funds also permits further classes of units to be made available other than those currently available. Any such class of unit may vary according to whether it accumulates or distributes income or attracts different fees and expenses, and as a result of this, monies may be deducted from classes in unequal proportions. In these circumstances, the proportionate interests of the classes of units within a Fund will be adjusted in accordance with the provisions of the Trust Deed of each of the Funds relating to proportion accounts. The Trustee may create one or more classes of units as instructed from time to time by the Manager. The creation of additional unit classes will not result in any material prejudice to the interests of holders of units in existing unit classes.

22. Evidence of Title

No certificates are issued in respect of the units. Should any unitholder, for any reason, require evidence of his title to units, the Manager shall, upon unitholder proof of identity as it shall reasonably require, supply the relevant unitholder with a certified copy of the relevant entry in the Register relating to their holding of units.

23. Investment Objective and Policy, and Investment Restrictions

The investment objective and policy of each Fund is set out in Appendix 1.

In pursuing its investment objective and policy, each Fund may use the techniques referenced in Appendix 1, Appendix 3 and in the risk factors set out in section 25. Other techniques, however, may be developed or determined to be suitable for use by a Fund and the Manager may (subject to applicable law) employ such techniques in accordance with that Fund's investment objective and policy.

The investment objectives and / or policy of a Fund may be amended in accordance with the change classification process set out in the COLL Sourcebook. A fundamental change requires unitholder consent by extraordinary resolution passed at a meeting of unitholders. A significant change requires 60 days' pre-notification to unitholders. Notifiable changes require notification to unitholders. See section 32 for further details regarding change classification under the COLL Sourcebook.

The investment restrictions applicable to a particular Fund are set out in Appendix 3.

24. Leverage Ratios

The maximum level of leverage which a Fund, or the Manager on that Fund's behalf, is permitted to use as part of such Fund's investment strategy is set out in Appendix 1.

As required by the AIFMD, leverage is expressed as a ratio between a Fund's total exposure and its net asset value. The generic examples below demonstrate the AIFMD prescribed methodologies that must be used for calculating such leverage ratios.

If a fund were to have 80% physical holding in collective investment schemes, 20% exposure to index futures, 30% forward FX (used to hedge) and 20% cash, in accordance with the AIFMD such fund's leverage would be expressed as follows:

- using the commitment methodology, a ratio of 1.2:1, where 1.2 represents this fund's exposure to collective investment schemes, index futures and cash; pursuant to the AIFMD forward FX used for hedging can be netted against a fund's foreign currency exposure;
- using the gross methodology, a ratio of 1.3:1, where 1.3 represents this fund's exposure to collective investment schemes, index futures and forward FX; pursuant to the AIFMD cash is excluded from the gross method of calculation whereas forward FX used for hedging cannot be netted.

As demonstrated above, the expression of 1.2:1 does comprise "Incremental Exposure" (as defined in Appendix 1) through the use of derivatives, and the fund's holdings in collective investment schemes are also included. The exposure is calculated in accordance with the methodologies expressly set out in the AIFMD.

If a fund were to have 100% in collective investment schemes, in accordance with the AIFMD such fund's leverage would be expressed as follows:

- using the commitment methodology, a ratio of 1:1, where 1 represents this fund's exposure to collective investment schemes; and
- using the gross methodology, a ratio of 1:1, where 1 represents this fund's exposure to collective investment schemes.

In this example, although the fund is not leveraged (referred to as "Incremental Exposure", see Appendix 1 for further details), the leverage ratios are above zero due to the exposure calculation being performed in accordance with the methodologies expressly set out in the AIFMD.

25. Risk Considerations

Potential investors should consider the risk factors below before investing in the Funds (or, in the case of specific risks applying to specific Funds, in those Funds). This list must not be taken to be comprehensive. It should also be noted that there may be new risks that arise in the future which could not have been anticipated in advance. Also, risk factors listed will apply to different Funds to different degrees, and for a given Fund this degree could increase or reduce through time.

Some of the risk factors below relate to the underlying collective investment schemes ("underlying fund") in which the Funds invest but for that reason are also relevant to the Funds themselves.

(a) General Investment Risks

The Funds are indirectly, via investment in underlying funds, subject to the risk that all equity and fixed interest securities funds are subject to i.e. fluctuations in capital value which can be influenced by factors such as political and economic news, corporate earnings reports, demographic trends and catastrophic events. While over a long period it might be expected that a Fund will produce positive total returns, in any particular period losses may be suffered. The Manager cannot guarantee that it will achieve the objectives set out for any Fund.

Unitholders should always bear in mind that the price of units in any Fund and the income from them can go down as well as up and are not guaranteed. An investment in a Fund is not intended to be a complete investment programme. The Funds may invest directly or indirectly in currencies other than sterling. As a result, changes in the rates of exchange between currencies may cause the value of units in the relevant Funds to go up or down. Accordingly, unitholders may not receive back the amount invested.

Where cancellation rights apply to a contract any investor exercising such cancellation rights will not obtain a full refund of the money paid on the making of the contract if the value of the investment falls before the cancellation notice is received by the Manager as an amount equal to that fall will be deducted from any refund made to the investor. An investment in a Fund is not protected against the effects of inflation.

(i) *Accumulation of Fees/Expenses*

As the Funds may invest in funds, the unitholders may incur a duplication of fees and commissions (such as management fees, including performance fees, custody and transaction fees, other administration fees and audit fees). To the extent these funds are permitted to invest in turn in other funds, unitholders may incur additional fees to those mentioned below.

(ii) *Charges from Capital*

Most of the Funds deduct their charges from the income produced from their investments however some may deduct all or part of their charges from capital. Whilst this might allow more income to be distributed, it may also have the effect of reducing the potential for long term capital growth or potentially loss of capital.

(iii) *Counterparty Risk*

See also 'Credit Risk'. The bankruptcy or default of any counterparty could result in losses to any Fund. In addition, a Fund may bear the risk of loss because a counterparty does not have the legal capacity to enter into a transaction, or if the transaction becomes unenforceable due to relevant legislation or regulation (see 'Legal and Regulatory Risk').

In the case of any insolvency or failure of any such party, a Fund might recover only a pro rata share of all property available for distribution to all of such party's creditors and/or customers. Such an amount may be less than the amounts owed to that Fund.

Trading in financial derivative instruments which have not been collateralised gives rise to direct counterparty exposure. A Fund might mitigate much of this risk by receiving collateral with a value at least equal to the exposure to each counterparty but, to the extent that any financial derivative instrument is not fully collateralised, a default by the counterparty may result in a reduction in the value of a Fund. In the event of the insolvency of the counterparty to a derivative, a Fund will be treated as a general creditor of such counterparty, and will not have any claim with respect to the underlying indebtedness. Consequently, that Fund will be subject to the credit risk of the counterparty as well as that of the issuer of the indebtedness. As a result, concentrations of derivatives in any one counterparty may subject a Fund to an additional degree of risk with respect to defaults by such counterparty as well as by the issuer of the underlying indebtedness.

To mitigate counterparty risk a Fund will only use preferred counterparties which it believes to be creditworthy and may reduce the exposure incurred in connection with such transactions through the use of letter of credit or collateral. A formal review of each new counterparty is completed and all approved counterparties are monitored and reviewed on an on-going basis. However there can be no guarantee that a counterparty will not default or that a Fund will not sustain losses as a result.

The Manager is free to use one or more separate counterparties for derivative investments. Some or all of these counterparties may be associates of the BlackRock Group or the PNC Group.

(iv) *Credit Risk*

See also 'Counterparty Risk'. Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation. Each Fund will be exposed to a credit risk for the parties with whom it trades. Investing in sovereign debt, any other debt guaranteed by a sovereign government, or corporate debt entails risks related to the issuer's ability and willingness to repay principal and pay interest. A default by the issuer of the bond may impact the value of a Fund. Short-term cash equivalent investments, such as commercial paper, bankers' acceptances, certificates of deposit, and repurchase transactions, are not guaranteed by any government and are subject to some risk of default.

Credit risk may also arise through a default by one or several large institutions that are dependent on one another to meet their liquidity or operational needs, so that a default by one institution causes a series of defaults by the other institutions. This is sometimes referred to as a "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges, with which the Fund interacts on a daily basis.

(v) ***Determination of Unit Prices***

A proportion of the value of the Funds and hence the issue and redemption price of the units, will be based on the latest prices that are available for the investments held by the underlying funds. These latest prices may be estimated prices due to either the frequency or the timing of dealing in the investment vehicles in which the underlying funds are invested or the time that is required by the administrators of such investment vehicles to calculate final prices. Consequently, the value of the Funds and hence the issue and redemption prices of the units, may not accurately reflect the value that would have been received by the Funds had that holding been realised on that day.

The underlying funds may invest in investment vehicles which do not permit holdings to be redeemed on either as frequent a basis as that applying to the Funds or on the same day as the Funds. In the absence of published current redemption prices or net asset values the Directors may have to determine valuations in respect of such investments. Adequate information may not always be available to the Manager or the Investment Manager from underlying funds or other sources for that purpose and consequently such valuations may not accurately reflect the realisable value of the Funds' holdings on the next dealing day of the underlying fund concerned or the value that would have been received by the Funds had those holdings been realised on that day.

(vi) ***Fund Liability Risk***

The Trust is structured as an umbrella fund with segregated liability between its Funds. The assets of one Fund will not be available to meet the liabilities of another. However, the Trust (through the Manager) may operate or have assets held on its behalf or be subject to claims in the UK, or in other jurisdictions, whose courts may not necessarily recognise such segregation of liability.

Therefore, it is not possible to be certain that the assets of a Fund will always be completely isolated from the liabilities of another Fund of the Trust in every circumstance.

(vii) ***Interest Rate and Currency Risk***

The net asset value per unit of a Fund will be computed in the base currency of the relevant Fund whereas the investments held for the account of that Fund may be acquired in other currencies. The value in terms of the relevant base currency of the investment of a Fund, where designated in any other currency, may rise and fall due to currency exchange rate fluctuations of individual currencies, such that the net asset value of a Fund will change in response to such fluctuations. Adverse movements in currency exchange rates can result in a decrease in return and a loss of capital. The performance of investments in securities denominated in a specific currency will also depend on the interest rate environment in the country issuing the currency. Except to the extent that values are independently affected by currency exchange rate fluctuations, when interest rates decline, the value of fixed income securities generally can be expected to rise. Conversely, when interest rates rise, the value of fixed income securities generally can be expected to decline.

(viii) ***Leverage***

A Fund may be able to use leverage, including through use of derivative instruments, in accordance with its investment objective and strategy as set out in Appendix 1 and subject to the investment restrictions set out in Appendix 3.

Leverage will generally be generated by using derivatives that are inherently leveraged due to the relatively small amount of deposit required to open a position, including among others, forward contracts, futures contracts, options and swaps. A relatively small market movement may therefore have a potentially larger impact on derivatives than on standard bonds or equities, with the result that leveraged derivative positions may increase Fund volatility.

The Funds may have higher levels of leverage in atypical or volatile market conditions, for example when there are sudden movements in investment prices due to difficult economic conditions in a sector or region. In such circumstances, the Manager or its delegate may increase its use of derivatives in a Fund in order to reduce the market risk to which that Fund is exposed, this, in turn, would have the effect of increasing its levels of leverage.

Leverage may also take the form of trading on margin, which will result in interest charges and, depending on the amount of trading activity, such charges could be substantial. The level of interest rates generally, and the rates at which a Fund can borrow in particular, will affect the operating results of that Fund.

In general, the anticipated use of short-term margin borrowings may result in certain additional risks to the Funds. For example, should the securities pledged to brokers to secure a Fund's margin accounts decline in value, a Fund could be subject to a "margin call", pursuant to which a Fund must either deposit additional funds or securities with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of a Fund's assets, a Fund might not be able to liquidate assets quickly enough to pay off its margin debt. Whether any margin deposit will be required for over-the-counter ("**OTC**") options and other OTC instruments, such as currency forwards, swaps and certain other derivative instruments, will depend on the credit determinations and specific agreements of the parties to the transaction, which are individually negotiated. Low margin deposits are indicative of the fact that any trading in certain derivatives markets is typically accompanied by a high degree of leverage. Low margin deposits mean that a relatively small adverse price movement in a contract may result in immediate and substantial losses to the investor. For example, if at the time of purchase ten per cent of the price of a futures contract is deposited as margin, a 10% decrease in the price of the futures contract would, if the contract is then closed out, result in a total loss of the value of margin deposit before any deduction for the brokerage commission. Thus, like other leveraged investments, any purchase or sale of a futures contract, forward or other derivatives may result in losses in excess of the amount invested.

Any investment income and gains earned on investments made through the use of leverage that are in excess of the interest costs associated therewith may cause the net asset value of the units in a Fund to increase more rapidly than would otherwise be the case. Conversely, where the associated interest costs are greater than such income and gains, the net asset value of the units in a Fund may decrease more rapidly than would otherwise be the case. Any event which adversely affects the value of an investment made by a Fund would be magnified to the extent that Fund is leveraged.

(ix) ***Liquidity Risk***

Liquidity risk exists when the sale of assets or exit of trading positions is impaired by such factors as decreased trading volume, increased price volatility, industry and government regulations, and overall position size and complexity. It may be impossible or costly for a Fund to liquidate positions rapidly particularly if there are other market participants seeking to dispose of similar assets at the same time or the relevant market is otherwise moving against a position or in the event of trading halts or daily price movement limits on the market or otherwise. Derivative transactions that are particularly large or traded off market (i.e. over the counter) and bonds traded in the secondary market may be less liquid and it may be difficult to achieve fair value on transactions (see 'Valuation Risk'). Closing positions held in the secondary markets prematurely, for instance to meet client redemption requests, can result in increased transaction costs which will be reflected in the investment returns.

(x) ***Legal and Regulatory Risk***

Legal, tax and regulatory changes could occur during the term of a Fund.

Over recent years global financial markets have undergone pervasive and fundamental disruption and regulators in many jurisdictions have implemented or proposed a number of regulatory measures and may continue to do so. For example, the regulatory and tax environment for derivative instruments is evolving, and changes in the regulation or taxation of derivative instruments may adversely affect the value of derivative instruments held by a Fund and the ability of a Fund to pursue its trading strategies (by way of example short selling bans). Further, legislation and regulation may render a transaction, to which a Fund is a party, void or unenforceable.

These interventions have sometimes been unclear in scope and application, resulting in confusion and uncertainty which in itself has been detrimental to the efficient functioning of financial markets. It is impossible to predict with certainty what additional interim or permanent governmental restrictions may be imposed in the future and/or the effect of such restrictions on global markets and the Manager's ability to implement a Fund's investment objectives.

(xi) ***Market Risk***

The price of a Fund's investments, including, without limitation, fixed income securities, equities and all derivative instruments, can be highly volatile. Price movements of fixed income securities, equities, forward contracts, derivatives contracts and other instruments in which a Fund's assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies (see 'Legal and Regulatory Risk'). Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations (see 'Interest Rate and Currency Risk'). Additionally, prices of equities fluctuate daily and can be influenced by many micro and macro factors such as political and economic news, corporate earnings report, demographic trends and catastrophic events. The value of equities will go up and down and the value of a Fund investing in equities could incur significant losses.

(xii) ***New Issues***

Funds may invest indirectly via an underlying fund or directly in initial public offerings or new debt issues. The prices of securities involved in initial public offerings or new debt issues are often subject to greater and more unpredictable price changes than more established securities.

(xiii) ***Settlement Risk***

Settlement risk is the risk that a counterparty fails to deliver the terms of a contract (i.e. defaults at settlement) and of any timing differences in settlement between the two parties. Each Fund bears the risk of settlement default due to exposure to the risk of default of certain counterparties (see 'Credit Risk' and 'Counterparty Risk'). In addition, market practices in relation to the settlement of transactions and the custody of assets could provide increased risks (see also 'Market Risk' and 'Legal and Regulatory Risk').

(xiv) ***Tax***

The information provided in section 26 is based, to the best knowledge of the Manager, upon tax law and practice as at the date of this Prospectus. Tax legislation, the tax status of the Manager and the Funds, the taxation of unitholders and any tax reliefs, and the consequences of such tax status and tax reliefs, may change from time to time. Any change in the taxation legislation in UK or in any jurisdiction where a Fund is registered, marketed or invested could affect the tax status of the Funds, affect the value of the relevant Fund's investments in the affected jurisdiction, affect the relevant Fund's ability to achieve its investment objective, and/or alter the post-tax returns to unitholders. Where the Fund invests in derivatives the preceding sentence may also extend to the jurisdiction of the governing law of the derivative contract and/or the derivative counterparty and/or to the market(s) comprising the underlying exposure(s) of the derivative.

The availability and value of any tax reliefs available to unitholders depend on the individual circumstances of unitholders. The information in section 26 is not exhaustive and does not constitute legal or tax advice. Prospective investors are urged to consult their tax advisors with respect to their particular tax situations and the tax effects of an investment in the Funds.

Where a Fund invests in a jurisdiction where the tax regime is not fully developed or is not sufficiently certain, for example jurisdictions in the Middle East, the relevant Fund, the Manager, the Investment Manager, the Trustee and the administrator shall not be liable to account to any unitholder for any payment made or suffered by the relevant Fund in good faith to a fiscal authority for taxes or other charges of the Fund notwithstanding that it is later found that such payments need not or ought not have been made or suffered. Conversely, where through fundamental uncertainty as to the tax liability, adherence to best or common market practice (to the extent that there is no established best practice) is subsequently challenged or the lack of a developed mechanism for practical and timely payment of taxes, the relevant Fund pays taxes relating to previous years, any related interest or late filing penalties will likewise be chargeable to the Fund. Such late paid taxes will normally be debited to the Fund at the point the decision to accrue the liability in the Fund accounts is made.

Unitholders should read the information set out under the heading "Foreign Account Tax Compliance Act ("FATCA") and other cross border reporting systems", particularly in relation to the consequences of the Funds being unable to comply with the terms of such reporting systems.

(xv) ***Valuation Risk***

Financial instruments that are illiquid and/or not publicly traded may not have readily available prices and may therefore be difficult to value. Dealer supplied quotations or pricing models developed by third parties, the Manager, its affiliates and/or delegates, may be utilised in valuations and the calculation of the net asset value of each Fund. Such methodologies may be based upon assumptions and estimates that are subject to error. Investors should be aware that in these circumstances a possible conflict of interest may arise, as the higher the estimated valuation of the securities the higher the fees payable to the Manager, Investment Manager or the administrator. Any party providing valuation services may, in the absence of its negligence, be indemnified out of the property of the relevant Fund from all claims and losses which such party may incur directly or indirectly arising out of or in connection with the performance of such valuation services. In addition, given the nature of such investment, determinations as to their fair value may not represent the actual amount that will be realised upon the eventual disposal of such investments.

(b) ***Cybersecurity***

The Funds or any of the service providers, including the Manager and the Investment Manager, may be subject to risks resulting from cybersecurity incidents and/or technological malfunctions. A cybersecurity incident is an event that may cause a loss of proprietary information, data corruption or a loss of operational capacity. Cybersecurity incidents can result from deliberate cyber attacks or unintentional events. Cyber attacks include, but are not limited to, gaining unauthorised access to digital systems (e.g. through hacking or malicious software coding) for the purposes of misappropriating assets or sensitive information, corrupting data, releasing confidential information without authorisation or causing operational disruption. Cyber attacks may also be carried out in a manner that does not require gaining unauthorised access, such as causing denial-of-service attacks on websites, which may make network services unavailable to intended users. The issuers of securities and counterparties to other financial instruments in which a Fund invests may also be subject to cybersecurity incidents.

Cybersecurity incidents may cause a Fund to suffer financial losses, interfere with a Fund's ability to calculate its NAV, impede trading, disrupt the ability of investors to subscribe for, exchange or redeem their units, violate privacy and other laws and incur regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. Cyber-attacks may render records of assets and transactions of a Fund, unitholder ownership of units, and other data integral to the functioning of a Fund inaccessible, inaccurate or incomplete. In addition, substantial costs may be incurred in order to prevent any cybersecurity incidents in the future which may adversely impact a Fund.

While the Manager and the Investment Manager have established business continuity plans and risk management strategies to seek to prevent cybersecurity incidents, there are inherent limitations in such plans and strategies, including the possibility that certain risks have not been identified given the evolving nature of the threat of cyber-attacks. Furthermore, none of the Funds, the Manager or the Investment Manager can control the business continuity plans or cybersecurity strategies put in place by other service providers to a Fund or issuers of securities and counterparties to other financial instruments in which a Fund invests. The Manager relies on its third party service providers for many of its day-to-day operations and will be subject to the risk that the protections and policies implemented by those service providers will be ineffective to protect the Manager or the Funds from cyber-attack.

(c) Risks Associated with Investment Techniques

(i) *Delayed Delivery Transactions*

Each Fund that invests in fixed income transferable securities may purchase "To Be Announced" securities ("**TBAs**"), for example US mortgages. This generally refers to a forward contract on a pool of mortgages in which the specific mortgages are not announced and allocated prior to a specified delivery date. TBAs are not settled at the time of purchase, which may lead to leveraged positions within a Fund. Purchasing a TBA involves a risk of loss if the value of the security to be purchased declines prior to the settlement date and exposes a Fund to additional counterparty default risk. A Fund may dispose of a commitment prior to settlement if it is deemed appropriate to do so. Proceeds of TBA sales are not received until the contractual settlement date.

(ii) *Derivatives (General)*

In accordance with the investment restrictions set out in Appendix 3, each of the Funds may use derivatives for the purposes of "Efficient Portfolio Management" (also known as "**EPM**") in order to reduce risk and/or costs and/or generate additional income or capital for each of the Funds, as further described in Appendix 3.

The use of derivatives may expose any Fund to a certain degree of risk. These risks may include credit risk with regard to counterparties with whom a Fund trades, the risk of settlement default, lack of liquidity of the derivative, imperfect tracking between the change in value of the derivative and the change in value of the underlying asset that the relevant Fund is seeking to track and greater transaction costs than investing in the underlying assets directly.

In accordance with standard industry practice when purchasing derivatives, a Fund may be required to secure its obligations to its counterparty. For non-fully funded derivatives, this may involve the placing of initial and/or variation margin assets with the counterparty. For derivatives which require a Fund to place initial margin assets with a counterparty, such assets may not be segregated from the counterparty's own assets and, being freely exchangeable and replaceable, that Fund may have a right to the return of equivalent assets rather than the original margin assets deposited with the counterparty. These deposits or assets may exceed the value of the relevant Fund's obligations to the counterparty in the event that the counterparty requires excess margin or collateral. In addition, as the terms of a derivative may provide for one counterparty to provide collateral to the other counterparty to cover the variation margin exposure arising under the derivative only if a minimum transfer amount is triggered, a Fund may have an uncollateralised risk exposure to a counterparty under a derivative up to such minimum transfer amount.

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 and leveraged positions can therefore increase Fund volatility. Whilst the Funds will not borrow money to leverage they may for example take synthetic short positions through derivatives to adjust their exposure, always within the restrictions provided for in Appendix 3.

Certain Funds may enter into long positions executed using derivatives such as futures positions including currency forwards. Additional risks associated with investing in derivatives may include a counterparty breaching its obligations to provide collateral, or due to operational issues (such as time gaps between the calculation of risk exposure to a counterparty's provision of additional collateral or substitutions of collateral or the sale of collateral in the event of a default by a counterparty), there may be instances where a Fund's credit exposure to its counterparty under a derivative contract is not fully collateralised but each Fund will continue to observe the limits set out in Appendix 3. The use of derivatives may also expose a Fund to legal risk, which is the risk of loss resulting from changing laws or from the unexpected application of a law or regulation, or because a court declares a contract not legally enforceable.

Funds may use derivatives to facilitate complex management techniques. In particular, this may involve:

- (i) using swap contracts to adjust interest rate risk;
- (ii) using currency derivatives to buy or sell currency risk;
- (iii) buying and selling options for investment purposes;
- (iv) using credit default swaps to buy or sell credit risk;
- (v) using volatility derivatives to adjust volatility risk;
- (vi) using contracts for difference to gain market exposure;
- (vii) using synthetic short positions to take advantage of any negative investment views; and
- (viii) using synthetic long positions to gain market exposure.

Market leverage obtained through derivatives is expressed through a Fund's gross market exposure to the underlying reference assets of the derivatives contracts. Gross market exposure may vary although, a Fund's global exposure, which is the aggregate sum of its obligations under the derivative contracts, shall not exceed the total net value of the Fund. Furthermore, a Fund's overall risk exposure will remain within the limits imposed by the COLL Sourcebook, as further described in Appendix 3. The Manager's current policy concerning the use of derivatives to gain market leverage is disclosed within the relevant product literature which is available on request.

Where derivative instruments are used in this manner the overall risk profile of a Fund may be increased. Accordingly the Manager will employ a risk-management process which enables the Manager to monitor and measure at any time the risk of the derivative positions and their contribution to the overall risk profile of a Fund. The Manager applies a "Value at Risk" ("**VaR**") approach to calculate a Fund's global exposure and to ensure it complies with the investment restrictions set out in Appendix 3.

The Manager uses a risk management process, to monitor and measure as frequently as appropriate the risk of a Fund's portfolio and contribution of the underlying investments to the overall risk profile of the Fund.

Where consistent with its investment objectives and policy a Fund may utilise, directly or indirectly (for example through investment in another fund) a variety of exchange traded and OTC derivative instruments including, call options, put options, stock index options, credit default swaps, credit linked notes, equity default swaps, total return swaps, asset swaps, interest rate swaps, swaptions, warrants, forward contracts and future contracts, for hedging purposes and to reduce risk.

Losses in excess of the amount invested may be incurred from investment in such derivative instruments due to low margin deposits creating leverage which is typically associated with investment in such instruments. These instruments may be sensitive to small price movements, may be considered illiquid and could be difficult to price under certain market conditions.

(iii) ***Derivative Strategies***

A Fund's exposure to derivative strategies will mainly be obtained directly or indirectly through related: (i) transferable securities and money market instruments; (ii) units of closed-ended investment companies; (iii) financial instruments linked or backed to the performance of underlying financial instruments; (iv) UCITS and/or other undertakings for collective investment investing in these strategies and financial instruments; and (v) financial derivatives instruments on these financial instruments.

The strategies may involve a degree of illiquidity (see 'Liquidity Risk') as well as a potentially high level of leverage, and be represented by physical and/or synthetic short selling. Their magnitude will depend on the exposure taken by the relevant Fund and certain or unexpected market conditions.

(iv) ***Forward Contracts***

The Manager or its delegates may enter into forward contracts and options on behalf of a Fund which are not traded on exchanges and are generally not regulated. There are no limitations on daily price moves of forward contracts. Counterparties with whom a Fund may maintain accounts may require a Fund to deposit margin with respect to such trading, although margin requirements are often minimal or non-existent. A Fund's counterparties are not required to continue to make markets in such contracts and these contracts can experience periods of illiquidity, sometimes of significant duration (see 'Liquidity Risk'). There have been periods during which certain counterparties have refused to continue to quote prices for forward contracts or have quoted prices with an unusually wide spread (the difference between the price at which the counterparty is prepared to buy and that at which it is prepared to sell). Arrangements to trade forward contracts may be made with only one or a few counterparties, which potentially reduces liquidity (see 'Liquidity Risk'). The imposition of credit controls by governmental authorities might limit such forward trading to less than that which the Manager would otherwise recommend, to the possible detriment of a Fund (see 'Legal and Regulatory Risk'). Additionally, disruptions can occur in any market traded by a Fund due to unusually high trading volume, political intervention or other factors. Market illiquidity or disruption could result in major losses to a Fund. In addition, a Fund may be exposed to credit risks with regard to counterparties with whom it trades as well as risks relating to settlement default (see 'Credit Risk', 'Counterparty Risk' and 'Settlement Risk'). Such risks could result in substantial losses to a Fund.

(v) ***Futures***

Futures are standardised contracts between two parties to buy or sell a specified asset or index with a standardised quantity for a price agreed upon today with delivery and payment occurring at a future delivery date.

They are negotiated on an exchange acting as an intermediary between parties.

A Fund may enter into futures transactions as either the buyer or seller and may combine them to form a particular trading strategy as well as use futures for reducing an existing risk.

Futures positions may be illiquid (see 'Liquidity Risk') because certain exchanges limit fluctuations in certain futures contract prices during a single day by regulations or an exchange or the Commodity Futures Trading Commission may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only.

Investments in futures may also involve the following non-exhaustive list of risks see 'Market Risk', 'Settlement Risk'.

(vi) ***Hedging Techniques***

Hedging techniques could involve a variety of derivative transactions (see 'Derivatives (General)'). As a result, hedging techniques involve different risks than those of underlying investments, including liquidity risk and the potential for loss in excess of the amount invested. In particular, the variable degree of correlation between price movements of hedging instruments and price movements in the position being hedged creates the possibility that losses on the hedge may be greater than gains in the value of a Fund's positions. In addition, although the contemplated use of these techniques should minimize the risk of loss due to a decline in the value of the hedged position, at the same time they may limit any potential gains resulting from an increase in the value of such positions. The ability of a Fund to hedge successfully will depend on the Manager's, or its delegate's, ability to predict pertinent market movements, and as a consequence there can be no assurance that hedging transactions will be successful in protecting against adverse market and/or currency movements.

(vii) ***Investment in UCITS and/or Other Collective Investment Schemes***

Each Fund may invest up to 100% of its scheme property in the units of UCITS and/or other collective investment schemes that are managed by the Manager or by an associate (as defined by the FCA) in which case no subscription or redemption fees may be charged to the Funds in accordance with the rules in the COLL Sourcebook. In addition, in relation to UCITS and/or other collective investment schemes managed by the Manager or by an associate (as defined by the FCA), either no annual management charge will be charged to the Funds or a full retrocession of the annual management charge shall be returned to the Funds. However, where a Fund invests in units of UCITS and/or other collective investment schemes not managed by the Manager or by an associate (i.e. managed by a third party manager), it may be required to pay subscription or redemption fees and any other fees (including management fees).

(viii) ***Options***

An option is the right (but not the obligation) to buy or sell a particular asset or index at a stated price at some date in the future. In exchange for the rights conferred by the option, the option buyer has to pay the option seller a premium for carrying on the risk that comes with the obligation. The option premium depends on the strike price, volatility of the underlying, as well as the time remaining to expiration. Options may be listed or dealt in OTC.

A Fund may enter into option transactions as either the buyer or seller of this right and may combine them to form a particular trading strategy as well as use options for reducing an existing risk.

If the Manager or its delegate is incorrect in its expectation of changes in the market prices or determination of the correlation between the instruments or indices on which the options are written or purchased and the instruments in a Fund's investment portfolio, that Fund may incur losses that it would not otherwise incur.

The seller (writer) of a call option which is covered (e.g., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The buyer of a call option assumes the risk of losing his entire investment in the call option. If the buyer of the call sells short the underlying security, the loss on the call will be offset in whole or in part by any gain on the short sale of the underlying security.

The seller (writer) of a put option which is covered (e.g., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sale price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option. If the seller of the put option owns a put option covering an equivalent number of shares with an exercise price equal to or greater than the exercise price of the put written, the position is "fully hedged" if the option owned expires at the same time or later than the option written. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing his entire investment in the put option. If the buyer of the put holds the underlying security, the loss on the put will be offset in whole or in part by any gain on the underlying security.

Investment in options may involve the following non-exhaustive list of risks, see 'Market Risk', 'Settlement Risk', 'Counterparty Risk', 'Liquidity Risk'. Their magnitude will depend on the exposure taken by a Fund and certain or unexpected market conditions.

(ix) ***OTC Transactions***

There is less governmental regulation and supervision of transactions in OTC markets (in which currencies, forward, spot and option contracts, credit default swaps, total return swaps and certain options on currencies and other types of derivative instruments are generally traded) than organised stock exchanges. Many of the protections afforded to transactions on organised exchanges such as the performance guarantee of an exchange clearing house may not exist for OTC transactions. The risk of counterparty default therefore exists (see 'Counterparty Risk' and 'Credit Risk').

The Manager or its delegates will continuously assess the credit and counterparty risk as well as the potential risk, which for trading activities is the risk resulting from adverse movements in the level of volatility of market prices and will assess the hedging effectiveness on an ongoing basis. They will define specific internal limits applicable to these kinds of operations and monitor the counterparties accepted for these transactions. Further, in contrast to exchange traded instruments, forward, spot and option contracts on currencies do not provide the Manager or its delegate with the possibility to offset a Fund's obligations through an equal and opposite transaction. For this reason when entering into forward, spot or options contracts, a Fund may be required and must be able to perform its obligations under the contracts.

(x) ***Short Selling***

A Fund may engage in short selling. Short selling involves selling securities which may be owned, or may not be owned and borrowing the same securities with an obligation to replace the borrowed securities at a later date, for delivery to the purchaser. Short selling allows the investor to profit from a decline in the value of securities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position.

Typically funds introduce short selling by selling the physical stock, or using instruments such as swaps, futures and options.

(xi) ***Swap Transactions***

Swap transactions are privately negotiated OTC derivative products in which two parties agree to exchange payment streams of a notional amount in relation to an asset or index. The notional amount is usually not exchanged between counterparties. By consequence, cash or collateral may be required.

Swaps transactions can typically either be in the form of a credit default swap, a contract for difference, an interest rate swap, a total return swap and an interest rate swaption. A Fund may enter into swap transactions as either the buyer or seller of this right and may combine them to form a particular trading strategy as well as using swap transactions for reducing an existing risk.

A credit default swap allows the transfer of default risk. This allows investors to effectively buy insurance on a bond they hold (hedging the investment) or buy protection on a bond they do not physically own where the investment view is that the stream of coupon payments required will be less than the payments received due to the decline in credit quality.

Interest rate swaps involve an exchange with another party of respective commitments to pay or receive interest, such as an exchange of fixed rate payments for floating rate payments. Currency swaps may involve the exchange of rights to make or receive payments in specified currencies. Total return swaps involve the exchange of the right to receive the total return, coupons plus capital gains or losses, of a specified reference asset, index or basket of assets against the right to make fixed or floating payments.

Where a Fund enters into interest rate or total return swaps on a net basis, the two payment streams are netted out, with each party receiving or paying, as the case may be, only the net amount of the two payments. Interest rate or total return swaps entered into on a net basis do not involve the physical delivery of investments, other underlying assets or principal. Accordingly, it is intended that the risk of loss with respect to interest rate swaps is limited to the net amount of interest payments that a Fund is contractually obligated to make (or in the case of total return swaps, the net amount of the difference between the total rate of return of a reference investment, index or basket of investments and the fixed or floating payments). If the other party to an interest rate or total return swap defaults, in normal circumstances each Fund's risk of loss consists of the net amount of interest or total return payments that each party is contractually entitled to receive. In contrast, currency swaps usually involve the delivery of the entire principal value of one designated currency in exchange for the other designated currency. Therefore, the entire principal value of a currency swap is subject to the risk that the other party to the swap will default on its contractual delivery obligations.

Certain Funds may also buy or sell interest rate swaption contracts. These give the purchaser the right, but not the obligation to enter into an interest rate swap at a preset interest rate within a specified period of time.

If the Manager or its delegate is incorrect in its forecasts of market values, interest rates and currency exchange rates, the investment performance of a Fund would be less favourable than it would have been if these investment techniques were not used.

Illiquidity in the swaps market may prevent a Fund from being able to roll its swap positions on expiry which in turn may result in a Fund being temporarily unable to pursue its investment objective. In addition, the market for credit default swaps may sometimes be more illiquid than bond markets (see 'Liquidity Risk').

The investment in options may also involve the following non-exhaustive list of risks; see 'Market Risk', 'Credit Risk', 'Counterparty Risk'. Their magnitude will depend on the exposure taken by the relevant Fund and certain or unexpected market conditions.

(xii) ***When Issued and Forward Commitment Securities***

A Fund may purchase "when-issued" securities and may contract to purchase or sell securities for a fixed price at a future date beyond the usual settlement time. When-issued securities are securities that have been authorized, but not yet received and can be used to hedge against anticipated changes in interest rates and prices or for speculative purposes.

Forward commitment transactions involve a commitment by a Fund to purchase or sell securities at a future price and date.

The purchase of such securities involves the risk of the value of the security being purchased declining before the purchase date. Equally the sale of securities on a forward commitment basis can expose a Fund to the risk of the value of the security being sold increasing prior to settlement. Such securities may be disposed of prior to settlement if deemed appropriate by the Manager.

(d) Risk Factors Specific to Certain Funds

The risk factors in this section are applicable to BlackRock Managed Volatility Fund, BlackRock Managed Volatility Fund I, BlackRock Managed Volatility Fund II, BlackRock Managed Volatility Fund III, BlackRock Managed Volatility Fund IV, BlackRock Volatility Strategy Fund I, BlackRock Volatility Strategy Fund II, BlackRock Volatility Strategy Fund III, BlackRock Volatility Strategy

Fund IV, BlackRock UK Managed Volatility Fund I, BlackRock UK Managed Volatility Fund II and BlackRock UK Managed Volatility Fund III.

(i) ***Volatility Management Risk***

Volatility means the variation in the daily returns realised by a fund over a specified period of time. If a fund reports high volatility, this indicates that the returns have been quite variable. If a fund reports low volatility, this indicates that the returns have been relatively stable.

The measure of volatility is the annualised, equal-weighted volatility of the daily portfolio returns over the previous 60 Business Days for BlackRock Managed Volatility Fund, BlackRock Managed Volatility Fund I, BlackRock Managed Volatility Fund II, BlackRock Managed Volatility Fund III and BlackRock Managed Volatility Fund IV; for BlackRock Volatility Strategy Fund I, BlackRock Volatility Strategy Fund II, BlackRock Volatility Strategy Fund III and BlackRock Volatility Strategy Fund IV, the monthly portfolio returns over a rolling three year period; and for BlackRock UK Managed Volatility Fund I, BlackRock UK Managed Volatility Fund II and BlackRock UK Managed Volatility Fund III, the daily portfolio returns over a rolling 120 Business Day period (see Appendix 1). The method that the Manager and/or the Investment Manager use to measure volatility within the Funds may differ to methods used by other managers. For this reason, direct comparison to other volatility managed funds may be difficult.

One of the objectives of the Funds is to manage volatility within tolerances set by the Manager and/or the Investment Manager. However, there is no guarantee that the Funds will perform as expected and remain within their volatility tolerances. The volatility management process may reduce the effect of falls in market prices but may equally moderate the effect of rises in market prices.

When markets are volatile, managing volatility within tolerances will require a Fund's asset allocation to be changed more frequently than normal. The cost of the transactions required to effect these changes will be met by the Funds and may affect returns.

In addition to the objective of managing volatility, BlackRock Managed Volatility Fund IV will seek to manage, on an intra-day basis, extreme daily equity market movements. If triggered by extreme equity market movements, this intra-day process will override the daily volatility management process. While the intra-day process may mitigate the effect of extreme falls in equity market prices, it would also have the effect of leaving the Fund significantly less exposed to potential rebounds in equity markets in the immediate aftermath of any intra-day de-risking event.

For the Funds that hold a constant allocation to fixed income, this constant allocation may limit the Manager's and the Investment Manager's ability to manage volatility within tolerances, particularly when markets are relatively stable and this may affect returns.

(e) **Risk Factors Specific to Underlying Funds**

The risk factors in this section describe the risks that unitholders should bear in mind which relate to the underlying funds in which the Funds invest.

(i) ***Distressed Securities***

Investment in a security issued by a company that is either in default or in high risk of default ("**Distressed Securities**") involves significant risk. Such investments will only be made when the Investment Manager believes it is reasonably likely that the issuer of the securities will make an exchange offer or will be the subject of a plan of reorganisation; however, there can be no assurance that such an exchange offer will be made or that such a plan of reorganisation will be adopted or that any securities or other assets received in connection with such an exchange offer or plan of reorganisation will not have a lower value or income potential than anticipated when the investment was made. In addition, a significant period of time may pass between the time at which the investment in Distressed Securities is made and the time that any such exchange offer or plan of reorganisation is completed. During this period, it is unlikely that any interest payments on the Distressed Securities will be received, there will be significant uncertainty as to whether or not the exchange offer or plan of reorganisation will be completed, and there may be a requirement to bear certain expenses to protect the investing underlying fund's interest in the course of negotiations surrounding any potential exchange or plan of reorganisation. In addition, as a result of participation in negotiations with respect to any exchange offer or plan of reorganisation with respect to an issuer of Distressed Securities, the investing underlying fund may be precluded from disposing of such securities. Furthermore, constraints on investment decisions and actions with respect to Distressed Securities due to tax considerations may affect the return realised on the Distressed Securities.

Where the Manager or the Investment Manager exercises its discretion to invest in underlying funds ("**Underlying Funds**"), such Underlying Funds may invest in securities of issuers that are encountering a variety of financial or earnings problems and represent distinct types of risks. An Underlying Fund's investments in equity or fixed income transferable securities of companies or institutions in weak financial condition may include issuers with substantial capital needs or negative net worth or issuers that are, have been or may become, involved in bankruptcy or reorganisation proceedings.

(ii) ***Emerging Markets***

The following considerations, which apply to some extent to all international investments, are of particular significance in certain smaller and emerging markets. Underlying funds investing in equities (see Appendix 1) may include investments in certain smaller and emerging markets, which are typically those of poorer or less developed countries which exhibit lower levels of economic and/or capital market development, and higher levels of share price and currency volatility. The prospects for economic growth in a number of these markets are considerable and equity returns have the potential to exceed those in mature markets as growth is achieved. However, share price and currency volatility are generally higher in emerging markets.

Some governments exercise substantial influence over the private economic sector and the political and social uncertainties that exist for many developing countries are particularly significant. Another risk common to most such countries is that the economy is heavily export oriented and, accordingly, is dependent upon international trade. The existence of overburdened infrastructures and obsolete financial systems also presents risks in certain countries, as do environmental problems. Certain economies also depend to a significant degree upon exports of primary commodities and, therefore, are vulnerable to changes in commodity prices which, in turn, may be affected by a variety of factors.

In adverse social and political circumstances, governments have been involved in policies of expropriation, confiscatory taxation, nationalisation, intervention in the securities market and trade settlement, and imposition of foreign investment restrictions and exchange controls, and these could be repeated in the future. In addition to withholding taxes on investment income, some emerging markets may impose different capital gains taxes on foreign investors.

Generally accepted accounting, auditing and financial reporting practices in emerging markets may be significantly different from those in developed markets. Compared to mature markets, some emerging markets may have a low level of regulation, enforcement of regulations and monitoring of investors' activities. Those activities may include practices such as trading on material non-public information by certain categories of investor.

The securities markets of developing countries are not as large as the more established securities markets and have substantially less trading volume, resulting in a lack of liquidity and high price volatility. There may be a high concentration of market capitalisation and trading volume in a small number of issuers representing a limited number of industries as well as a high concentration of investors and financial intermediaries. These factors may adversely affect the timing and pricing of an underlying fund's acquisition or disposal of securities.

Practices in relation to settlement of securities transactions in emerging markets involve higher risks than those in developed markets, in part because an underlying fund will need to use brokers and counterparties which are less well capitalised, and custody and registration of assets in some countries may be unreliable. Delays in settlement could result in investment opportunities being missed if an underlying fund is unable to acquire or dispose of a security. The Trustee is responsible for the proper selection and supervision of its correspondent banks and sub-custodians in all relevant markets in accordance with UK law and regulation.

In certain emerging markets, registrars are not subject to effective government supervision nor are they always independent from issuers. The possibility of fraud, negligence, undue influence being exerted by the issuer or refusal to recognise ownership exists, which, along with other factors, could result in the registration of a shareholding being completely lost. Investors should therefore be aware that the underlying fund concerned could suffer loss arising from these registration problems, and as a result of archaic legal systems an underlying fund may be unable to make a successful claim for compensation.

While the factors described above may result in a generally higher level of risk with respect to the individual smaller and emerging markets, these may be reduced when there is a low correlation between the activities of those markets and/or by the diversification of investments within the relevant underlying fund.

Investments in Russia are currently subject to certain heightened risks with regard to the ownership and custody of securities. In Russia, this is evidenced by entries in the books of a company or its registrar (which is neither an agent nor responsible to the Trustee). No certificates representing ownership of Russian companies will be held by the Trustee or any correspondent or in an effective central depositary system. As a result of this system and the lack of state regulation and enforcement, an underlying fund could lose its registration and ownership of Russian securities through fraud, negligence or even mere oversight.

(iii) ***Fixed Income Transferable Securities***

Debt securities are subject to both actual and perceived measures of creditworthiness. The amount of credit risk is measured by the issuer's credit rating which is assigned by one or more independent rating agencies. This does not amount to a guarantee of the issuer's creditworthiness but provides a strong indicator of the likelihood of default. Securities which have a lower credit rating are generally considered to have a higher credit risk and a greater possibility of default than more highly rated securities. Companies often issue securities which are ranked in order of seniority which in the event of default would be reflected in the priority in which investors might be paid back. The "downgrading" of a rated debt security or adverse publicity and investor perception, which may not be based on fundamental analysis, could decrease the value and liquidity of the security, particularly in a thinly traded market.

Non-investment grade debt may be highly leveraged and carry a greater risk of default

An underlying fund may be affected by changes in prevailing interest rates and by credit quality considerations. Changes in market rates of interest will generally affect an underlying fund's asset values as the prices of fixed rate securities generally increase when interest rates decline and decrease when interest rates rise. Prices of shorter-term securities generally fluctuate less in response to interest rate changes than do longer-term securities. An economic recession may adversely affect an issuer's financial condition and the market value of high yield debt securities issued by such entity. The issuer's ability to service its debt obligations may be adversely affected by specific issuer developments, or the issuer's inability to meet specific projected business forecasts, or the unavailability of additional financing. In the event of bankruptcy of an issuer, an underlying fund may experience losses and incur costs. In addition, non-investment grade securities tend to be more volatile than higher rated fixed-income securities, so that adverse economic events may have a greater impact on the prices of non-investment grade debt securities than on higher rated fixed-income securities.

(iv) ***Bank Corporate Bonds***

Corporate bonds issued by a financial institution may be subject to the risk of a write down or conversion (i.e. "bail-in") by a relevant authority in circumstances where the financial institution is unable to meet its financial obligations. This may result in bonds issued by such financial institution being written down (to zero), converted into equity or alternative instrument of ownership, or the terms of the bond may be varied. 'Bail-in' risk refers to the risk of relevant authorities exercising powers to rescue troubled banks by writing down or converting rights of their bondholders in order to absorb losses of, or recapitalise, such banks. Investors should be alerted to the fact that relevant authorities are more likely to use a "bail-in" tool to rescue troubled banks, instead of relying on public financial support as they have in the past. Relevant authorities now consider that public financial support should only be used as a last resort after having assessed and exploited, to the maximum extent practicable, other resolution tools, including the "bail-in" tool. A bail-in of a financial institution is likely to result in a reduction in value of some or all of its bonds (and possibly other securities) and a Fund holding such securities when a bail-in occurs will also be similarly impacted.

(v) ***Restrictions on Foreign Investment***

Some countries prohibit or impose substantial restrictions on investments by foreign entities such as an underlying fund. As illustrations, certain countries require governmental approval prior to investments by foreign persons, or limit the amount of investment by foreign persons in a particular company, or limit the investment by foreign persons in a company to only a specific class of securities which may have less advantageous terms than securities of the company available for purchase by nationals. Certain countries may restrict investment opportunities in issuers or industries deemed important to national interests. The manner in which foreign investors may invest in companies in certain countries, as well as limitations on such investments, may have an adverse impact on the operations of an underlying fund. For example, an underlying fund may be required in certain of such countries to invest initially through a local broker or other entity and then have the share purchases re-registered in the name of the underlying fund. Re-registration may in some instances not be able to occur on a timely basis, resulting in a delay during which an underlying fund may be denied certain of its rights as an investor, including rights to dividends or to be made aware of certain corporate actions. There also may be instances where an underlying fund places a purchase order but is subsequently informed, at the time of re-registration, that the permissible allocation to foreign investors has been filled, depriving the underlying fund of the ability to make its desired investment at the time. Substantial limitations may exist in certain countries with respect to an underlying fund's ability to repatriate investment income, capital or the proceeds of sales of securities by foreign investors. An underlying fund could be adversely affected by delays in, or a refusal to grant any required governmental approval for repatriation of capital, as well as by the application to the underlying fund of any restriction on investments. A number of countries have authorised the formation of closed-end investment companies to facilitate indirect foreign investment in their capital markets. Shares of certain closed-end investment companies may at times be acquired only at market prices representing premiums to their net asset values. If an underlying fund acquires shares in closed-end investment companies, unitholders would bear both their proportionate share of expenses in the underlying fund (including management fees) and, indirectly, the expenses of such closed end investment companies.

(vi) ***Smaller Capitalisation Companies***

Securities of smaller capitalisation companies may, from time to time, and especially in falling markets, become illiquid and experience short-term price volatility and wide spreads between bid and offer prices. Investment in smaller capitalisation companies may involve higher risk than investment in larger companies.

The securities of smaller companies may be subject to more abrupt or erratic market movements than larger, more established companies or the market average in general. These companies may have limited product lines, markets or financial resources, or they may be dependent on a limited management group. Full development of those companies takes time. In addition, many small company securities trade less frequently and in smaller volume.

The securities of small companies may also be more sensitive to market changes than the securities of large companies. These factors may result in above-average fluctuations in the price of an underlying fund's units.

(vii) ***Sovereign Debt***

Certain countries are large debtors. Investment in debt obligations ("Sovereign Debt") issued or guaranteed by governments or their agencies and instrumentalities ("governmental entities") may involve a high degree of risk. The governmental entities that control the repayment of Sovereign Debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt. A governmental entity's willingness or ability to repay principal and interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the governmental entity's policy towards the International Monetary Fund and the political constraints to which a governmental entity may be subject.

Governmental entities may also be dependent on expected disbursements from other governments, multilateral agencies and others to reduce principal and interest arrearage on their debt. The commitment on the part of these governments, agencies and others to make such disbursements may be conditioned on a governmental entity's implementation of economic reforms and/or economic performance and the timely service of such debtor's obligations. Failure to implement such reforms, achieve such levels of economic performance or repay principal or interest when due may result in the cancellation of such third parties' commitments to lend funds to the governmental entity, which may further impair such debtor's ability or willingness to service its debt on a timely basis. Consequently, governmental entities may default on their Sovereign Debt. Holders of Sovereign Debt, including an underlying fund, may be requested to participate in the rescheduling of such debt and to extend further loans to governmental entities. There is no bankruptcy proceeding by which Sovereign Debt on which a governmental entity has defaulted may be collected in whole or in part.

(viii) ***Tracking Error***

Where the underlying funds in which the Funds invest track a benchmark index, the performance of the underlying funds, as compared to their relevant benchmark index, may be adversely affected in circumstances where assumptions about tax made by the relevant index provider in their index calculation methodology, differ to the actual tax treatment of the underlying securities in the benchmark index held within the underlying funds.

Where the underlying fund is an index tracking fund seeking exposure to emerging markets, the performance of the fund compared to its benchmark index may also be affected by the fact that it invests in emerging market securities. In certain emerging markets, there may be limits concerning the manner and/or extent to which foreign investors can invest directly in securities in that market, and also taxes or other charges applicable to foreign investors which may render direct investment inefficient or uneconomical for unitholders. This may affect the fund's ability to invest in all of the securities that make up the benchmark index or hold the appropriate amount of these. Furthermore, where accounts are opened with the local sub-custodian for the first time, there may be a significant amount of time elapsed before the account is operational. In certain situations, it may be possible for the Manager to invest in other transferable securities or utilise certain instruments and techniques which provide an equivalent exposure to the securities in these markets. However the Manager is unable to guarantee that a similar outcome will be achieved to that if it were possible to hold the securities directly.

(ix) ***Potential implications of Brexit***

In a referendum held on 23 June 2016, the electorate of the United Kingdom resolved to leave the European Union. The result has led to political and economic instability, volatility in the financial markets of the United Kingdom and more broadly across Europe. It may also lead to weakening in consumer, corporate and financial confidence in such markets as the UK negotiates its exit from the EU. The longer term process to implement the political, economic and legal framework between the UK and the EU is likely to lead to continuing uncertainty and periods of exacerbated volatility in both the UK and in wider European markets. In particular, the decision made in the British referendum may lead to a call for similar referendums in other European jurisdictions which may also cause increased economic volatility in wider European and global markets.

Currency volatility resulting from this uncertainty may mean that the returns of the Fund and its investments are adversely affected by market movements, potential decline in the value of the British Pound and/or Euro, and any downgrading of UK sovereign credit rating. This may also make it more difficult, or more expensive, for the Fund to execute prudent currency hedging policies.

This mid to long term uncertainty may have an adverse effect on the economy generally and on the ability of the Fund and its investments to execute their respective strategies and to receive attractive returns, and may also result in increased costs to the Fund.

26. Taxation

The following summary is intended to offer some guidance to persons (other than dealers in securities) on the current United Kingdom ("UK") taxation of authorised unit trusts and their unitholders. It should be noted that the existing legislation may change in future. This summary should not be regarded as definitive, nor as removing the desirability of taking separate professional advice. If unitholders are in any doubt as to their taxation position, they should consult their professional advisers.

(a) The Funds

In respect only of income, authorised unit trusts are taxed as "investment companies" which means that franked income (dividends received from a UK resident company) is not taxed in the unit trust as it has been paid out of profits which have already been taxed. The majority of overseas dividends received by authorised unit trusts after 1 July 2009 from non-UK companies should also be exempt from UK tax. They are liable to pay corporation tax on their other income after deduction of allowable expenses. Authorised unit trusts are not normally liable to corporation tax on their capital gains arising from the disposal of investments.

Where the Fund holds an investment in any other UK or offshore fund that during the Fund's accounting period is invested primarily in cash, gilts, corporate bonds and similar assets, any movements in that holding will be taxed as income of the Fund for the period concerned. In addition, any dividends paid by such fund will be taxed as interest income. Where the offshore fund is not certified by HM Revenue & Customs ("HMRC") as a reporting fund, the Fund may not be exempt from tax on gains realised on disposal of the interest in the offshore fund. Units in the Funds shall be widely available to the investors that meet the investment criteria. Units in the Funds shall be marketed and made available sufficiently widely to reach investors, and in an appropriate manner to attract them.

Authorised unit trusts are subject to corporation tax at the basic rate at which income tax is charged, which is currently 20% (2015/16). For investments overseas, credit may be available (by offset against any UK tax liability or by reducing the overseas dividend by the underlying foreign tax suffered) for some or all of the overseas tax suffered, to minimise any double tax charge suffered by the trust.

Investments held by the Funds will be accounted for and taxed in accordance with the Statement of Recommended Practice for authorised unit trusts. It is the intention of the Manager that all assets held by the Funds will be held for investment purposes and not for the purposes of trading. Furthermore, it is considered that substantially all of the investments held by the Funds should meet the definition of an "investment transaction" as defined by the Authorised Investment Funds (Tax) (Amendment) Regulations 2009 ("the regulations") which came into force on 1 September 2009. Therefore, it is considered that the likelihood of HM Revenue & Customs ("HMRC") successfully arguing that the Funds are trading is minimal. This assumption is on the basis that the Funds meet the "genuine diversity of ownership" condition as outlined in the regulations.

In the unlikely event that HMRC successfully argued that the Funds were trading in relation to the investments held, this may lead to tax payable within the Fund that investors may not be able to offset or recover.

(b) **Tax elected funds ("TEFs")**

Where a Fund elects to be treated as a TEF, it should not be subject to UK corporation tax on the income it receives.

A TEF distributes two types of income: (i) a dividend distribution (i.e. dividend income, property investment income and property business income) which is treated as dividends on shares; and (ii) a non-dividend distribution (i.e. all other income) which is treated as payment of yearly interest paid under a deduction of income tax at the basic rate.

As at the date of this Prospectus, none of the Funds are TEFs. The Manager has no immediate intention to elect any of the Funds to be treated as a TEF, however the Manager reserves the right to determine, at its absolute discretion, that it would be beneficial to do so in the future, in which case the Manager may apply to HM Revenue & Customs to elect for one or more of the Funds to be a TEF. If the Manager does determine to make such an election, it will give advance notification to unitholders in the affected Fund or Funds of that Fund's TEF election, prior to this TEF election becoming effective.

(c) **The Unitholder**

Distributions can be paid either as a dividend or as an interest distribution, depending on whether a fund is classified as a bond or an equity fund. A fund will be regarded as a bond fund if throughout the period between income allocation dates more than 60 % of the market value of the fund's holdings are in debt instruments. If this test is not passed the fund will be an equity fund. A distribution from an equity fund can only be paid as a dividend. Income paid as a dividend distribution in relation to income units or accumulated for accumulation units will be paid or accumulated net with an associated notional tax credit of 10 %. Instead, a £5,000 (2016/2017) tax free dividend allowance has been introduced for UK individuals. Dividends received in excess of this threshold will be taxed at the following rates.

Basic rate taxpayers i.e. those whose income, after personal reliefs, total less than £33,500 (2017/18) will be liable to tax on dividend distributions at the ordinary rate of 7.5% Higher-rate taxpayers, i.e., those whose income, after personal reliefs, total between £33,500 and £150,000 (2017/18) will be liable to tax on dividend distributions at the higher rate of 32.5%Additional rate taxpayers, i.e. those whose income, after personal reliefs, exceeds £150,000 will be liable to tax on dividend distributions at the additional rate of 38.1% of the net dividend plus the 10% tax credit.. UK resident corporate unitholders must split their dividend distributions into franked and unfranked income portions according to the percentage split given on the voucher.

Unitholders will be sent tax vouchers. Accumulation unitholders will be liable to tax on their income as if they had actually received cash on the pay date.

In accordance with draft legislation published as part of the Finance Bill 2017 and with effect from 6 April 2017 interest distributions will be paid without deduction of income tax at source. Interest distributions received in excess of personal savings allowance (introduced from 6 April 2016) will be taxed at the following rates. Basic rate taxpayers are liable to basic rate of 20 per cent, higher rate taxpayers are liable at the higher rate of 40 per cent and additional rate taxpayers are liable at the additional rate of 45 per cent.

Persons within the charge to UK corporation tax should note that the regime for the taxation of most corporate debt contained in Chapter 3 Part 6 Corporation Tax Act 2009 provides that, if at any time in an accounting period such a person holds a unitholding in a fund and there is a time in that period when that fund fails to satisfy the "qualifying investments" test, the unitholding held by such a person will be treated for that accounting period as if it were rights under a creditor relationship for the purposes of the loan relationships regime.

A Fund fails to satisfy the "qualifying investments" test at any time when more than 60 % of its assets by market value comprise government and corporate debt securities or cash on deposit or certain derivative contracts or holdings in other collective investment schemes which at any time in the relevant accounting period do not themselves satisfy the "qualifying investments" test. On the basis of the investment policies of the Funds, the Funds could invest more than 60 % of their assets in government and corporate debt securities or as cash on deposit or in certain derivative contracts or in other non-qualifying collective investment schemes and hence could fail to satisfy the "qualifying investments" test. In that eventuality, the units will be treated for corporation tax purposes as within the loan relationships regime with the result that all returns on the units in respect of such a person's accounting period (including gains, profits and losses) will be taxed or relieved as an income receipt or expense on a "fair value accounting" basis. Accordingly, such a person who acquires units in the Funds may, depending on its own circumstances, incur a charge to corporation tax on an unrealised increase in the value of its holding of units (and, likewise, obtain relief against corporation tax for an unrealised reduction in the value of its holding of units).

Any gains arising on disposal of units including a switch of units between unit trusts, are potentially subject to tax on the capital gain (although conversions between classes of units in the same unit trust should not give rise to a disposal for UK Capital Gains Tax purposes). For UK resident individuals the first £11,100 of chargeable gains, from all sources is exempt from tax.

As the Fund operates equalisation, it is likely that the first distribution made after the acquisition of units will include an amount of equalisation. This amount corresponds to the income in the price at which the units were acquired and represents a capital repayment for UK tax purposes which should be deducted from the cost of units in arriving at any capital gain realised on their subsequent disposal. Therefore, this amount of the first distribution is not income for tax purposes.

Investors who are insurance companies subject to UK taxation may be deemed to dispose of and immediately reacquire their holding at the end of each accounting period.

(d) **Genuine Diversity of Ownership Condition**

Units in the Sub-Funds shall be marketed and made available sufficiently widely to reach the intended categories of investors, and in a manner appropriate to attract those categories of investors.

(e) **Foreign Account Tax Compliance Act ("FATCA") and other cross border reporting systems**

The US-UK Agreement to improve International Tax Compliance and to implement FATCA (the "US-UK IGA") was entered into with the intention of enabling the UK implementation of the Foreign Account Tax Compliance Act provisions of the U.S. Hiring Incentives to Restore Employment Act ("FATCA"), which impose a reporting regime and potentially a 30% withholding tax on certain payments made from (or attributable to) US sources or in respect of US assets to certain categories of recipient including a non-US financial institution (a "foreign financial institution" or "FFI") that does not comply with the terms of FATCA and is not otherwise exempt. Certain financial institutions ("reporting financial institutions") are required to provide certain information about their US accountholders to HMRC (which information will in turn be provided to the US tax authority) pursuant to UK regulations implementing the US-UK IGA. It is expected that the Funds will constitute reporting financial institutions for these purposes. Accordingly, the Funds are required to provide certain information about their US Unitholders to HMRC (which information will in turn be provided to the US tax authorities) and are also required to register with the US Internal Revenue Service. It is the Manager's intention to procure that the Funds are treated as complying with the terms of FATCA by complying with the terms of the reporting system contemplated by the US-UK IGA. No assurance can, however, be provided that the Funds will be able to comply with FATCA and, in the event that they are not able to do so, a 30% withholding tax may be imposed on payments they receive from (or which are attributable to) US sources or in respect of US assets, which may reduce the amounts available to them to make payments to their Unitholders.

The Funds are also required to comply with UK regulations implementing agreements to improve international tax compliance entered into between the UK and its Crown Dependencies and certain overseas territories (namely, Jersey, Guernsey, the Isle of Man and Gibraltar), pursuant to which the Funds will be required to provide certain information about their Jersey, Guernsey, Isle of Man and Gibraltar Unitholders to HMRC (which information will in turn be provided to the relevant tax authorities).

A number of jurisdictions have entered into multilateral arrangements modelled on the Common Reporting Standard for Automatic Exchange of Financial Account Information published by the Organisation for Economic Co-operation and Development (OECD). This will require the Funds to provide certain information to HMRC about Unitholders from the jurisdictions which are party to such arrangements (which information will in turn be provided to the relevant tax authorities).

In light of the above, Unitholders in the Funds will be required to provide certain information to the Funds to comply with the terms of the UK regulations. Please note that the Manager has determined that US Persons are not permitted to own units in the Funds, see section 13 (i) above.

27. Equalisation

Included in the issue price of units (on an offer basis) and in the cancellation price of units (on a bid basis) and so reflected as a capital sum in the offer and bid prices will be an income equalisation amount representing the value of income attributable to the unit accrued since the record date for the last income allocation. Being capital, the income equalisation amount included in the issue price of the units, is not liable to income tax but must be deducted from the cost of units for capital gains tax purposes.

The Trust Deed of each Fund permits grouping of units for equalisation, which arises in respect of those units purchased during an income allocation period. Such units carry an entitlement to equalisation which is the amount arrived at on an average basis of the accrued net income per unit included in the issue price of units purchased during the income allocation period.

28. Charges

The current charges made for each Fund are shown below and are set out in Appendix 1. On giving at least 60 days' written notice to unitholders, the Manager may, where relevant, increase the preliminary charge or the annual management charge on the Funds provided any such increase does not constitute a fundamental change to the Fund. Any change to charges which constitutes fundamental change will require prior unitholder consent. For details of the categorisation of fundamental, significant and notifiable changes, please see section 32.

These charges contain elements described in more detail in this section 28. Unitholders and applicants should also refer to the simplified prospectus which details the actual and implied charges which they may expect to pay when investing in a Fund.

(a) Manager's Charges

The preliminary charge will be included in the offer price of units. This charge will be 7% in respect of the Class C units and Class E units of the Funds. No preliminary charge is made on Class X units.

The annual management charge is payable to the Manager and charged to the relevant Fund. This charge is calculated as a percentage of the average of the issue and cancellation valuation of the Fund in respect of each Class of units as set out in Appendix 1. The annual management charge accrues daily and is paid monthly in arrears on the last Business Day of each month and is normally charged against the income, although, subject to the COLL Sourcebook and with the agreement of the Trustee, the Manager may alternatively charge some or all of this against the capital of a Fund. Unitholders should note that where the annual management charge is charged against capital this may result in capital erosion or constrain capital growth within a Fund.

No annual management charge is paid in relation to Class X units as holders of Class X units are charged outside of the relevant Fund by way of agreement with the Manager, Principal Distributor or their affiliates (as applicable).

The Investment Manager has and will continue to enter into client agreements with investors who make or may make substantial contributions across funds managed by the BlackRock Group and other strategic investors. The client agreements, which are subject to applicable law and are made without notice to other unitholders, may have the effect of waiving, amending or modifying the fees to which a unitholder is subject or imposing different fees or performance-based allocations or compensation on a unitholder (including by means of a rebate). In addition, these investors, and those that demonstrate a relevant regulatory requirement, may receive certain Fund level information on an accelerated basis. As a result, the terms and conditions of any given unitholder's investments in a Fund may differ to those of other unitholders.

(b) Trustee's Charges and Custody Charges

The remuneration of the Trustee is payable out of the property of the Funds and consists of a periodic charge of 0.006% per annum of the value of the scheme property, where the total value of scheme property is below £1.75billion, and a periodic charge of 0.002% per annum of the value of the scheme property where the total value of scheme property is £1.75billion or above. It is calculated, will accrue and is due monthly in advance and paid within seven days of accrual, along with certain service charges.

For the purpose of the periodic charge the value of the property of the Funds is taken as the arithmetic average of the valuations of the Funds carried out on a bid and offer basis in accordance with the COLL Sourcebook. The current Trustee charge may be altered in accordance with the Trust Deed.

The Trust Deed for the Funds also authorises payment out of the property of the Funds of fees for custody services. Where a Fund invests in the units of UCITS and/or other collective investment scheme that is managed by the Manager or by an associate (as defined by the FCA), the Manager will endeavour to negotiate (but does not guarantee) a reduction in any custodial fees applicable to such investment.

The custodial charges vary according to the location of the securities held, however the annual fees normally range, per annum, from 0.00325% (typically for UK securities) to 0.45% (for securities in certain emerging market countries) of the value of a Fund's property held in custody, and the transaction fees normally range from £7 to £99 per transaction. Such fees are subject to any value added tax payable thereon.

These charges vary from country to country depending on the markets and the type of transaction involved. Transaction charges accrue at the time the transactions are effected and are payable as soon as is reasonably practicable, and in any event not later than the last Business Day of the month when such charges arose or as otherwise agreed between the Trustee and the Manager. Custody charges accrue and are payable as agreed from time to time by the Manager and the Trustee.

Where relevant, the Trustee may make a charge for its services in relation to: distributions, the provision of banking services, holding money on deposit, lending money, or engaging in stock lending transactions, in relation to the relevant Fund and may purchase or sell or deal in the purchase or sale of scheme property, provided always that the services concerned and any such dealing are in accordance with the provisions of the COLL Sourcebook.

The Trustee will also be entitled to payment and reimbursement of all costs, liabilities and expenses properly incurred in the performance of, or arranging the performance of, functions conferred on it by the Trust Deed, the COLL Sourcebook or by the general law.

On a winding up of the relevant Fund the Trustee will be entitled to its pro rata fees, charges and expenses to the date of winding up, the termination, or the redemption (as appropriate) and any additional expenses necessarily realised in settling or receiving any outstanding obligations.

Any value added tax on any fees, charges or expenses payable to the Trustee will be added to such fees, charges or expenses.

In each such case such payments, expenses and disbursements may be payable to any person (including the Manager or any associate or nominee of the Trustee or of the Manager) who has had the relevant duty delegated to it pursuant to the COLL Sourcebook by the Trustee.

(c) **Registrar's Charges**

The Registrar is currently entitled to an annual fee of £12.00 (plus value added tax, if any) per unitholder payable from the property of the relevant Fund.

The Registrar fee is a fixed calculation (i.e. an annual fee based on a percentage of the applicable NAV, or a flat rate annual fee of £12.00, as described above) that does not fluctuate with the cost of providing the relevant services. If the cost of providing the relevant services is less than the fixed calculation charged to the relevant Fund or unit class, the Manager retains the difference. To the extent the cost of providing the relevant services exceeds the fixed calculation charged to the relevant Fund or unit class, the excess cost is borne by the Manager.

(d) **Stamp Duty Reserve Tax**

Prior to 30 March 2014, SDRT was levied on the dealing of units in unit trust schemes under Schedule 19 of the Finance Act 1999 ("Schedule 19") at the rate of 0.5% on the value of units surrendered. In order to increase the competitiveness of the asset management industry in the UK, the charge to SDRT under Schedule 19 has been abolished since 30 March 2014, and there is no SDRT charge levied on the surrender of units in unit trust schemes after this date.

(e) **Other Expenses**

The following other expenses will be reimbursed out of the property of a Fund:

(i) costs of dealing in the property of a Fund;

(ii) interest on borrowings permitted by a Fund and related charges;

(iii) taxation and duties payable in respect of the property of a Fund, the Trust Deed, the issue, surrender or transfer of units;

(iv) any costs incurred in modifying the Trust Deeds, including costs incurred in respect of meetings of unitholders convened for purposes which include the purpose of modifying the Trust Deeds, where the modification is necessary or expedient by reason of changes in the law or to remove obsolete provisions;

(v) any costs incurred in respect of meetings of unitholders convened on a requisition by unitholders not including the Manager or an associate of the Manager;

(vi) unanticipated liabilities on unitisation, scheme of arrangement or reconstruction where the property of a body corporate or of another collective investment scheme is transferred to the Trustee in consideration of the issue of units in a Fund to shareholders in that body or to participants in that other scheme;

(vii) the costs of preparation and distribution of reports, accounts, any prospectuses, simplified prospectuses (in the case of the simplified prospectus only preparation and not distribution may be charged), the trust deed and any costs incurred as a result of changes to any prospectus or trust deed, periodic updates of any other administrative documents, as well as the cost of maintaining other documentation required to be maintained in respect of the Fund;

(viii) the audit fee of the Auditor and value added tax thereon and any expenses of the Auditor as well as the fees of and expenses of third party tax, legal and other professional advisers;

(ix) the fees of the FCA under Schedule 1 Part III of the Financial Services and Markets Act 2000 Act and the corresponding periodic fees of any regulatory authority in a country or territory outside the United Kingdom in which units of a Fund are or may be marketed; and

(x) fees incurred in respect of entering into stock lending arrangements with stock lending agents.

Fees, costs, and duties which are not attributable to a particular Fund will usually be allocated between the Funds pro-rata to the NAV of each Fund or in accordance with another reasonable method at the Manager's discretion.

29. Relationships within the BlackRock Group and with the PNC Group

(a) **Conflicts of Interest - General**

The ultimate holding company of the Manager and the Investment Manager is BlackRock, Inc., a company incorporated in Delaware, USA. The PNC Financial Services Group, Inc. is a substantial shareholder in BlackRock, Inc.

Subject to any policies adopted by the Manager, any powers or restrictions in relevant regulations or set forth in the relevant Trust Deed, when arranging investment transactions for a Fund, the Manager and the Investment Manager will seek to obtain the best net results for that Fund, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution and operational facilities of the firm involved and the firm's risk in positioning a block of securities. Therefore, whilst the Manager and the Investment Manager generally seek reasonably competitive commission rates, a Fund does not necessarily pay the lowest commission or spread available. In a number of developing markets, commissions are fixed pursuant to local law or regulation and, therefore, are not subject to negotiation.

When arranging transactions in securities for a Fund, companies within the PNC Group may provide securities brokerage, foreign exchange, banking and other services, or may act as principal, on their usual terms and may benefit therefrom. The benefit of any bulk or other commission discounts or cash commissions rebates provided by brokers or agents will be passed on to that Fund. The services of companies in the PNC Group will be used by the Manager and the Investment Manager where it is considered appropriate to do so provided that (a) their commissions and other terms of business are generally comparable with those available from unassociated brokers and agents in the markets concerned, and (b) this is consistent with the above policy of obtaining best net results. Accordingly, it is anticipated that a proportion of a Fund's investment transactions will be executed through the PNC Group broker dealers and that they will be amongst a relatively small group of global firms which may each be assigned a larger proportion of transactions than the proportion assigned to any other firm.

The Manager may select brokers (including, without limitation, brokers who are affiliated with the BlackRock Group) that furnish the Manager, directly or through third-party or correspondent relationships, with research or execution services which provide, in the Manager's view, lawful and appropriate assistance to the Manager in the investment decision-making or trade execution processes. Such research or execution services may include, without limitation and to the extent permitted by applicable law: research reports on companies, industries and securities; economic and financial information and analysis; and quantitative analytical software. Research or execution services obtained in this manner may be used in servicing not only the account from which commissions where used to pay for the services, but also other BlackRock Group client accounts. To the extent that the BlackRock Group uses its clients' commissions to obtain research or execution services, the BlackRock Group will not have to pay for those products and services themselves. The BlackRock Group may receive research or execution services that are bundled with the trade execution, clearing and/or settlement services provided by a particular broker-dealer. To the extent that the BlackRock Group receives research or execution services on this basis, many of the same potential conflicts related to receipt of these services through third party arrangements exist. For example, the research effectively will be paid by client commissions that also will be used to pay for the execution, clearing and settlement services provided by the broker-dealer and will not be paid by the BlackRock Group.

The BlackRock Group may endeavour, subject to best execution, to execute trades through brokers who, pursuant to such arrangements, provide research or execution services in order to ensure the continued receipt of research or execution services the BlackRock Group believes are useful in their investment decision-making or trade execution process. The BlackRock Group may pay, or be deemed to have paid, commission rates higher than it could have otherwise paid in order to obtain research or execution services if the BlackRock Group determines in good faith that the commission paid is reasonable in relation to the value of the research or execution services provided. The BlackRock Group believes that using commissions to obtain the research or execution services enhances its investment research and trading processes, thereby increasing the prospect for higher investment returns.

The BlackRock Group may from time to time choose to alter or choose not to engage in the above described arrangements to varying degrees, without notice to BlackRock clients, to the extent permitted by applicable law.

Subject to the foregoing, and to any restrictions adopted by the Manager, any powers or restrictions in relevant regulations or set forth in the relevant Trust Deed, the Manager and the Investment Manager and any other company in the BlackRock Group or the PNC Group and any directors of the foregoing, may (a) have an interest in a Fund or in any transaction effected with or for it, or a relationship of any description with any other person, which may involve a potential conflict with their respective duties to a Fund, and (b) deal with or otherwise use the services of companies in the BlackRock Group or the PNC Group in connection with the performance of such duties; and none of them will be liable to account for any profit or remuneration derived from so doing. For example, such potential conflicts may arise because the relevant BlackRock Group company or PNC Group company:

(i) undertakes business for other clients;

(ii) has directors or employees who are directors of, hold or deal in securities of, or are otherwise interested in, any company the securities of which are held by or dealt in on behalf of a Fund;

(iii) may benefit from a commission, fee, mark-up or mark-down payable otherwise than by a Fund;

(iv) may act as agent for a Fund in relation to transactions in which it is also acting as agent for the account of other clients of itself;

(v) may deal in investments and/or currencies as principal with a Fund or any of its unitholders;

(vi) transacts in units or shares of another collective investment scheme or any company of which any BlackRock Group company or PNC Group company is the manager, operator, banker, adviser or trustee;

(vii) may effect transactions for a Fund involving placings and/or new issues with another of its group companies which may be acting as principal or receiving agent's commission.

Additionally, potential conflicts of interest may arise because the Manager itself, a director or an employee of the Manager, or a person linked by control (including a delegate) to the Manager:

(i) is likely to make a financial gain (or avoid a loss) at the expense of a Fund or a client or group of clients or an investor in a Fund that is contrary to the interest of that investor or that Fund;

(ii) has a financial or other incentive to favour the interest of one investor or a Fund or a client or group of clients over another;

(iii) has an interest in the outcome of a service/activity provided to a Fund or its investors or a client or of a transaction carried out on behalf of a Fund or a client or an investor, which is distinct from a Fund's interest in that outcome;

(iv) carries out the same activities for a Fund as it does for another Fund, client or clients which are not Funds; or

(v) is in receipt of inducements in the form of monies, goods or services from a person other than a Fund or its investors, other than the standard commission or fee for that service.

As described above, securities may be held by, or be an appropriate investment for, a Fund as well as by or for the Manager's other clients, clients of the Investment Manager or other companies in the BlackRock Group or PNC Group. Because of different objectives or other factors, a particular security may be bought for one or more such clients, when other clients are selling the same security. If purchases or sales of securities for a Fund or such clients arise for consideration at or about the same time, such transactions will be made, insofar as feasible, for the relevant clients in a manner deemed equitable to all. There may be circumstances when purchases or sales of securities for one or more clients of other companies in the BlackRock Group or PNC Group have an adverse effect on other BlackRock Group or PNC Group clients.

Establishing, holding or unwinding opposite positions (i.e. long and short) in the same security at the same time for different clients may prejudice the interests of clients on one side or the other and may pose a conflict of interest for BlackRock as well, particularly if BlackRock or the portfolio managers involved may earn higher compensation from one activity than from the other. This activity may occur as a result of different portfolio management teams taking different views of a particular security or in the course of implementing risk management strategies, and special policies and procedures are not generally utilised in these situations.

This activity may also occur within the same portfolio management team as a result of the team having both long only mandates and long-short or short only mandates or in the course of implementing risk management strategies. Where the same portfolio management team has such mandates, shorting a security in some portfolios that is held long in other portfolios or establishing a long position in a security in some portfolios that is held short in other portfolios may be done only in accordance with established policies and procedures designed to ensure the presence of appropriate fiduciary rationale and to achieve execution of opposing transactions in a manner that does not systematically advantage or disadvantage any particular set of clients. BlackRock's compliance group monitors compliance with these policies and procedures and may require their modification or termination of certain activities to minimise conflicts. Exceptions to these policies and procedures must be approved.

The rationales that may justify taking opposite positions in the same security at the same time may include, without limitation, the following: (i) differing views as to the short-term and long-term performance of a security, as a result of which it may be inappropriate for long only accounts to sell the security but may be appropriate for short-term oriented accounts that have a shorting mandate to short the security over the near term; and (ii) to neutralise the effect of the performance of a particular segment of one company's business by taking the opposite position in another company whose business is substantially similar to that of the segment in question.

In certain cases BlackRock's efforts to effectively manage these conflicts may result in a loss of investment opportunity for its clients or may cause it to trade in a manner that is different from how it would trade if these conflicts were not present, which may negatively impact investment performance.

The investment activities of the BlackRock Group for its own account and for other accounts managed by it or by a PNC Group company may limit the investment strategies that can be conducted on behalf of the Funds by the Investment Manager as a result of aggregation limits. For example, the definition of corporate and regulatory ownership of regulated industries in certain markets may impose limits on the aggregate amount of investment by affiliated investors that may not be exceeded. Exceeding these limits without the grant of a license or other regulatory or corporate consent may cause the BlackRock Group and the Funds to suffer disadvantages or business restrictions. If such aggregate ownership limits are reached, the ability of the Funds to purchase or dispose of investments or exercise rights may be restricted by regulation or otherwise impaired. As a result the Investment Manager on behalf of the Funds may limit purchases, sell existing investments or otherwise restrict or limit the exercise of rights (including voting rights) in light of potential regulatory restrictions on ownership or other restriction resulting from reaching investment thresholds. As a consequence, a Fund's ability to provide returns that reflect the performance of the relevant benchmark index may be affected.

(b) Additional Conflicts of Interest in the Context of Delegation

In addition to the conflicts described above, conflicts may arise between the interests of the Manager and its permitted delegates in certain circumstances, for example, where there is likelihood that: (i) the delegate and an investor in a Fund are members of the same group or have any other contractual relationship, if the investor controls the delegate or has the ability to influence its actions (in such cases the likelihood of conflict is likely to increase the greater the extent of such control); (ii) the delegate makes a financial gain, or avoids a financial loss, at the expense of a Fund or the investors in that Fund; (iii) the delegate has an interest in the outcome of a service or an activity provided to the Manager or a Fund; (iv) the delegate has a financial or other incentive to favour the interest of another client over the interests of a Fund or the investors in that Fund; (v) the delegate receives or will receive from a person other than the Manager an inducement in relation to the collective portfolio management activities provided to the Manager and a Fund in the form of monies, goods or services other than the standard commission or fee for that service. Although conflicts of interest can also arise where the delegate and the Manager are members of the same group or have any other contractual relationship and the delegate controls the Manager or has the ability to influence its actions, it is not currently considered that there are material existing conflicts of interest between the Manager and the Investment Manager, its parent company.

The BlackRock Group has policies and procedures in place to monitor the conflicts of interest that may arise in the context of the Manager's delegation of certain of its functions. To the extent any actual conflicts of interest are determined to have arisen, the BlackRock Group will manage such conflicts to minimise any impact on the investment performance, and will also seek to prevent them from reoccurring. Certain activities may be required to be modified or terminated to minimise conflicts of interest which may be identified from time to time.

30. Potential conflict with service providers

BlackRock or its Affiliates own or have an ownership interest in certain trading, portfolio management, operations and/or information systems used by Fund service providers. These systems are, or may be, used by a Fund service provider in connection with the provision of services to accounts managed by BlackRock and funds managed and sponsored by BlackRock, including the Funds, that engage the service provider (typically the custodian). A Fund's service provider remunerates BlackRock or its Affiliates for the use of the systems. A Fund service provider's payments to BlackRock or its Affiliates for the use of these systems may enhance the profitability of BlackRock and its Affiliates. BlackRock's or its Affiliates' receipt of fees from a service provider in connection with the use of systems provided by BlackRock or its Affiliates may create an incentive for BlackRock to recommend that a Fund enter into or renew an arrangement with the service provider.

31. Fair Treatment

The detailed rights and obligations of the Trustee, Manager and Unitholders are set out in the Trust Deed. The Manager ensures that the Trust Deed is made available for review by each unitholder as set out in section 36(ix), such that each unitholder is informed about its rights and obligations under that document. The Manager seeks to ensure fair treatment of all unitholders by complying with the terms of the Trust Deed and applicable law.

32. Changes to the Funds and Meetings of Unitholders

Changes to any Fund may be made in accordance with the method of classification described in sections (a), (b) and (c) below.

(a) Fundamental Change

A fundamental change is a change or event which:

(i) changes the purpose or nature of the Fund; or

(ii) may materially prejudice a unitholder; or

(iii) alters the risk profile of the Fund; or

(iv) introduces any new type of payment out of Fund property.

The Manager will obtain prior approval from unitholders to any fundamental change by way of an extraordinary resolution of the unitholders of the relevant Fund. See below for details of calling a meeting of unitholders.

(b) Significant Change

A significant change is a change or event which the Manager and Trustee have determined is not a fundamental change but is a change which:

(i) affects a unitholder's ability to exercise his rights in relation to his investment; or

(ii) would reasonably be expected to cause a unitholder to reconsider his participation in the relevant Fund; or

(iii) results in any increased payments out of Fund property to the Manager or any of its associate companies; or

(iv) materially increases other types of payment out of Fund property.

The Manager will give unitholders at least 60 days' notice in advance of implementing any significant change.

(c) Notifiable Change

A notifiable change is a change or event, other than a fundamental change or a significant change, which is reasonably likely to affect or have affected the operation of a Fund.

Depending on the nature of the change the Manager will inform unitholders of notifiable events either by:

(i) sending of an immediate notification to unitholders; or

(ii) publishing information about the change on BlackRock's website; or

(iii) including it in the next report for the Fund.

(d) **Notice**

The Manager will write to unitholders at their registered postal or e-mail address (as applicable) to give notice of any fundamental change or significant change or notifiable change (where relevant). Unitholders who have requested notices to be given electronically will receive notice by e-mail to the e-mail address notified to us.

(e) **Meetings of Unitholders**

Rules for the calling and conduct of meetings of unitholders and the voting rights of unitholders at such meetings are governed by the COLL Sourcebook and the Trust Deed. At a meeting of unitholders a resolution put to the vote shall be decided on a show of hands unless a poll is demanded by the chairman, by the Trustee or by at least two unitholders present in person or by proxy. On a show of hands every unitholder who (being an individual) is present in person or, (being a corporation) is present by its representative properly authorised in that regard, has one vote. On a poll the voting right for each unit must be the proportion of the voting rights attached to all of the units in issue that the value of the unit bears to the aggregate value of all the units in issue. A person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

A corporation being a unitholder may authorise such a person as it thinks fit to act as its representative at any meeting of unitholders and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as the corporation could exercise if it were an individual unitholder.

In the case of joint unitholders any joint unitholder may vote provided that if more than one votes the most senior unitholder in the Register who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint unitholders.

On a poll votes may be given either personally or by proxy.

The Manager and its associates may hold units in the Funds. The Manager is entitled to receive notice of and attend any meeting but it is not entitled to vote or be counted in the quorum and its units are not regarded as being in issue in relation to such meetings. An associate of the Manager may be counted in the quorum and if in receipt of voting instructions may vote in respect of units held on behalf of a person who, if himself the registered unitholder, would be entitled to vote, and from whom the associate has received voting instructions.

33. Winding Up

A Fund may be wound up upon the happening of any of the following:

(i) the order declaring it to be an authorised unit trust scheme is revoked; or

(ii) in response to a request to the FCA by the Manager or the Trustee for the revocation of the order declaring it to be an authorised unit trust scheme the FCA has agreed, albeit subject to there being no material change in any relevant factor, that, on the conclusion of the winding up of a Fund, the FCA will accede to that request; or

(iii) the effective date of a duly approved scheme of arrangement, which is to result in the Fund being left with no property.

On a winding up (otherwise than in accordance with an approved scheme of arrangement) the Trustee is required as soon as practicable after a Fund falls to be wound up, to realise the property of a Fund and, after paying out of the Fund or retaining adequate provision for all liabilities properly so payable and retaining provision for the costs of the winding up, to distribute the proceeds of that realisation to the unitholders and the Manager (upon production by them of such evidence as the Trustee may reasonably require as to their entitlement) proportionately to their respective interests in a Fund as at the date of the relevant event. The Trustee may, in certain circumstances, (and with the agreement of the affected unitholders) distribute property of a Fund (rather than the proceeds on the realisation of that property) to unitholders on a winding-up.

Any unclaimed net proceeds or other cash held by the Trustee after the expiration of twelve months from the date on which the same became payable is to be paid by the Trustee into court subject to the Trustee having a right to retain from those net proceeds or other cash any expenses incurred in making the payment into court.

If a Fund is to be wound up in accordance with an approved scheme of arrangement, the Trustee is required to wind up a Fund in accordance with the resolution of unitholders approving such scheme. Distributions will only be made to unitholders entered on the register. Any net proceeds or cash (including unclaimed distribution payments) held by the Trustee which have not been claimed after 12 months will be paid into court, after the deduction by the Trustee of any expenses it may incur.

34. Allocation of Income

The income available for allocation is determined in accordance with the COLL Sourcebook and the Investment Management Association's Statement of Recommended Practice for Accounting Standards for Investment Funds (SORP).

Distributable income comprises all income received or receivable for the account of any Fund in respect of the accounting period concerned, after deducting net charges and expenses paid or payable out of such income and after making such adjustments as the Manager considers appropriate, in accordance with the COLL Sourcebook, in relation to taxation and other matters.

Income on debt securities, such as bonds and other fixed interest securities is calculated using the "Effective Interest Rate" method, in accordance with the methodology laid down in the SORP.

The Effective Interest Rate method for calculating income generated from debt securities, treats any premiums and discounts arising on the purchase of a debt security (when compared to its maturity or par value) as income and this, together with any future expected income streams on the debt security, is amortised (written off) over the life of that security (to its maturity) and discounted back to its present value and included in calculation of distributable income.

For the purposes of allocating income, the Manager will determine on an annual basis, with reference to the objectives of a Fund, whether such income should exclude premiums and discounts arising on purchase of bonds attributed through the Effective Interest Rate method.

Each Fund will distribute any available income following the end of each of its accounting periods in relation to which it has an income allocation date. Each accounting period ends on an accounting date (either interim or final). Details of the accounting periods and income allocation dates for each Fund are set out in Appendix 1.

In relation to Accumulation units, any available income will become part of the capital property of a Fund as at the end of the relevant accounting period. In relation to Income units, any income distribution will be made on or before the relevant income allocation date for a Fund to those unitholders who are entitled to the allocation by evidence of their holding on the register at the previous accounting date for that Fund. If an income allocation date is not a Business Day, the allocation will be made on the next Business Day.

35. Information Made Available to Unitholders

Under the AIFMD, the Manager must periodically disclose to Unitholders certain information in relation to the Funds. This includes providing disclosure on each Fund's risk profile, which, as prescribed in the AIFMD, shall outline: (i) the measures used to assess the sensitivity of a Fund's portfolio to the most relevant risks to which that Fund is or could be exposed; and (ii) if risk limits set by the Manager have been or are likely to be exceeded and, where these risk limits have been exceeded, a description of the circumstances and the remedial measures taken.

The Manager intends to comply with its periodic disclosure requirements in the manner set out below.

The following information will be made available to Unitholders, as a minimum, as part of a Fund's annual report:

(i) the percentage of each Fund's assets which are subject to special arrangements arising from their illiquid nature;

(ii) the current risk profile of each Fund and the risk management systems employed by the Manager to manage those risks; and

(iii) the total amount of leverage employed by each Fund.

Unitholders will also be provided with information regarding changes to (i) the maximum level of leverage which a Fund, or the Manager on that Fund's behalf, may employ; or (ii) the rights for re-use of collateral under a Fund's leveraging arrangements; or (iii) any guarantee granted under a Fund's leveraging arrangements. This information will be made available to unitholders, without undue delay following the occurrence of that change, usually by way of update to this Prospectus. Where required, such change will be preceded by notification to unitholders.

It is intended that Unitholders will be notified immediately if a Fund uses its powers of deferral in relation to redemption requests, activates similar liquidity management arrangements, or if the Manager decides to suspend redemptions. Unitholders will also be notified whenever the Manager makes material changes to liquidity management systems and procedures employed in respect of a Fund.

36. Additional Information

(i) Units in the Funds are and will continue to be made widely available to the general public. Each Fund is available for investment by both retail and professional investors but all clients will be treated as retail investors. The Manager will not consider the suitability or appropriateness of an investment in the Funds for an investor's individual circumstances. Investors should be willing to accept capital and income risk, which may vary greatly from Fund to Fund. The Funds are not suitable for short term investment and should therefore generally be regarded as long-term investments. The price of units in a Fund, and any income from them, can go down as well as up and is not guaranteed.

(ii) A purchase or sale of units in writing, and/or by telephone is a legally binding contract (see section 11 for more details regarding a unitholder's contract for investment).

(iii) Any person relying on the information contained in this Prospectus, which was current at the date shown, should check with the Manager that this document is the most recent version and that no revisions have been made nor corrections published to the information contained in this Prospectus since the date shown.

(iv) This document is important and unitholders should read all the information contained in it carefully. If unitholders are in any doubt as to the meaning of any information contained in this document, unitholders should consult either the Manager or their financial adviser. The Manager has taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no material facts, the omission of which would make misleading any statement herein whether of fact or opinion.

(v) Short reports on the progress of the Funds are sent to unitholders every six months. These short reports must be sent out within four months of the end of the annual accounting period and within two months of the end of the half yearly accounting period. Long reports on each of the Funds are available free of charge on request to the Manager and include a list of the particular Fund's holdings of securities. For information on the publication dates pertaining to the reports of each of the Funds, please refer to Appendix 1.

(vi) Complaints may be made about the operation of any of the Funds or any aspect of the service received to the Compliance Officer of the Manager at its registered address. If unitholders are not satisfied with the way the Manager handles a complaint, unitholders may follow up their complaint with the Financial Ombudsman Service, Exchange Tower, London E14 9SR. (or visit the website at financial-ombudsman.org.uk). Tel: 0800 023 4567 or 0300 123 9 123. Email: complaint.info@financial-ombudsman.org.uk. Making a complaint will not prejudice a unitholder's right to take legal action. Written details of the Manager's complaints procedure, are available from the Manager upon request.

(vii) The Manager is a participant in the Financial Services Compensation Scheme. Unitholders may be entitled to compensation from the scheme if the Manager cannot meet its obligations. This depends on the type of business and the circumstances of the claim. Most types of investment business are covered for 100 % of the first £50,000, so the maximum compensation is £50,000. Further information about the Financial Services Compensation Scheme is available on request, or by contacting the FSCS at 10th Floor, Beaufort House, 15 St. Botolph Street, London EC3A 7QU (or visit the website at www.fscs.org.uk). Tel: 08006781100.

(viii) Each Fund qualifies as a non-UCITS retail scheme and will only be marketed to the public in the UK.

(ix) Copies of the Trust Deed (including supplemental Trust Deeds), the simplified prospectus, the most recent annual and half-yearly reports and the COLL Sourcebook may be inspected at the Manager's registered office during Normal Business Hours. Copies of the Prospectus may be obtained from the Manager at its registered office free of charge and copies of the Trust Deed are available free of charge to unitholders and at a charge of up to £5 per copy for each Trust Deed for non-unitholders.

(x) The personal details of each unitholder will be held by the Manager in accordance with current data protection law for the purposes of carrying out its agreement with each unitholder. This may include the transfer of such data (i) to other members of the BlackRock Group or to IFDS and its affiliates) and (ii) to other businesses (including their offices outside the European Union) where the transfer is necessary for the provision of services in relation to any of the BlackRock Group's investment products or services. Unitholders have the right to access their personal data processed by BlackRock together with the right to object to the processing of such data for legitimate reasons. Information regarding BlackRock's data protection policies is available upon request.

By buying units in any of the Funds unitholders agree that they may be sent information about the BlackRock Group's other investment products and services. The Manager will not sell or pass on details about a unitholder to any other third party. If unitholders do not wish to give this consent or if they wish to exercise their right to receive a copy of the information that the Manager holds about them, they should write to the Manager.

35 **Regulation (EU) 2015/2365 of the European Parliament and of the Council: the Securities Financing Transaction Regulation**

(I) The maximum proportion of the Net Asset Value of BlackRock UK Managed Volatility Fund I, BlackRock UK Managed Volatility Fund II and BlackRock UK Managed Volatility Fund III that can be subject to securities lending is 100%. The demand to borrow securities is a significant driver for the amount that is lent from a fund. Borrowing demand fluctuates over time and depends to a large extent on market factors that cannot be forecasted precisely. Based on historical data, lending volumes for such funds, typically range between 1% and 25% of the relevant fund's Net Asset Value, though past levels are no guarantee of future levels.

(II) Counterparty Selection & Review

BlackRock select from an extensive list of full service and execution-only brokers and counterparties. All prospective and existing counterparties require the approval of the Counterparty and Concentration Risk Group ("**CCRG**"), which is part of BlackRock's independent Risk & Quantitative Analysis department ("**RQA**").

In order for a new counterparty to be approved, a requesting portfolio manager or trader is required to submit a request to the CCRG. The CCRG will review relevant information to assess the credit-worthiness of the proposed counterparty in combination with the type and settlement and delivery mechanism of the proposed security transactions. A list of approved trading counterparties is maintained by the CCRG and reviewed on an on-going basis.

Counterparty reviews take into account the fundamental creditworthiness (ownership structure, financial strength, regulatory oversight) and commercial reputation of specific legal entities in conjunction with the nature and structure of proposed trading activities. Counterparties are monitored on an ongoing basis through the receipt of audited and interim financial statements, via alert portfolios with market data service providers, and where applicable, as part of BlackRock's internal research process. Formal renewal assessments are performed on a cyclical basis.

BlackRock select brokers based upon: (a) their ability to provide good execution quality (i.e. trading), whether on an agency or a principal basis; (b) their execution capabilities in a particular market segment; and (c) their operational quality and efficiency. We expect them to adhere to regulatory reporting obligations.

Once a counterparty is approved by the CCRG, broker selection for an individual trade is then made by the relevant dealer at the point of trade, based upon the relative importance of the relevant execution factors. For some trades, it is appropriate to enter into a competitive tender amongst a shortlist of brokers. BlackRock perform pre-trade analysis to forecast transaction cost and to guide the formation of trading strategies including selection of techniques, division between points of liquidity, timing and selection of broker. In addition, BlackRock monitors trade results on a continuous basis.

Broker selection will be based on a number of factors including, but not limited to the following:

- Ability to execute and execution quality;
- Ability to provide Liquidity/capital;
- Price and quote speed;
- Operational quality and efficiency; and
- Adherence to regulatory reporting obligations.

(III) Acceptable Collateral and valuation:

(a) collateral obtained in respect of derivatives (including forward exchange) and efficient portfolio management techniques, such as repo transactions or securities lending arrangements ("Collateral"), must comply with the following criteria:

liquidity: Collateral (other than cash) should be sufficiently liquid in order that it can be sold at a price that is close to its pre-sale valuation;

(ii) valuation: Collateral should be capable of being valued on a daily basis and assets that exhibit high price volatility should not be accepted as Collateral unless suitably conservative haircuts are in place;

(iii) issuer: Collateral (other than cash) may be issued by a range of issuers;

(iv) correlation: Collateral should be issued by an entity that is independent from the counterparty and is expected not to display a high correlation with the performance of the counterparty;

(v) diversification: there is no restriction on the level of diversification required with respect to any country, market or issuer; and

(vi) maturity: Collateral received may have a maturity date such as bonds or may not have a maturity date such as cash and equity.

(b) The value of Collateral obtained is marked to market on a daily basis. Subject to the framework of agreements in place with the relevant counterparty, which may or may not include minimum transfer amounts, it is the general intention of BlackRock that any Collateral received shall have a value, adjusted in light of the haircut policy, which equals or exceeds the relevant counterparty exposure where appropriate. In addition, ~~the~~ BlackRock has implemented a haircut policy in respect of each class of assets received as Collateral. A haircut is a discount applied to the value of a Collateral asset to account for the fact that its valuation, or liquidity profile, may deteriorate over time. The haircut policy takes account of the characteristics of the relevant asset class, including the credit standing of the issuer of the Collateral and the price volatility of the Collateral.

APPENDIX 1

DETAILS OF EACH OF THE FUNDS

BlackRock Managed Volatility Fund

The Fund is a sub-fund of BlackRock Non-UCITS Retail Funds, a non-UCITS retail scheme under the COLL Sourcebook. The Fund was established on 6 November 2012 and was authorised by the FCA on 11 October 2012. The Fund's FCA product reference number is 637730.

Investment Objective and Policy

The aim of the Fund is to manage the volatility of its portfolio at or around 5% and to seek a total return. The volatility management strategy will have a direct impact on the Fund's returns which may be limited by this strategy. The measure of volatility is the annualised, equal-weighted volatility of the daily portfolio returns over the previous 60 Business Days.

The Fund aims to gain investment exposure primarily to equity securities and fixed income securities globally, money–market instruments, deposits, cash and near cash.

In order to achieve its objective, the Fund invests primarily in units of collective investment schemes and derivatives which provide exposure to the above asset classes. At any time, a substantial amount, or even all of the Fund's assets may be held as cash to assist in achieving the Fund's objective.

The Fund may also invest directly in transferable securities (equity securities and fixed income securities), money-market instruments and deposits. Derivatives and forward transactions will be used for the purposes of efficient portfolio management.

In seeking to achieve the volatility objective, the allocations of investment exposure between fixed income securities, money–market instruments, deposits, cash, near cash and equity securities will vary relative to each other over time. The allocations of investment exposure between asset classes is subject to a fixed allocation to fixed income securities which will be determined by the Investment Manager at its sole discretion. The fixed allocation to fixed income securities may at times suppress the Fund's volatility therefore limiting the Fund's ability to achieve its objective of managing volatility at or around 5%. Derivatives may also be used to reduce exposure to certain asset classes to assist in maintaining the volatility objective of the Fund.

There can be no guarantee that the Fund will achieve its objective of managing volatility at or around 5%.

Additional Information

Management of volatility	The aim of the Fund will be to manage volatility within tolerances set above and below 5%. The levels of the upper and lower tolerances will be determined by the Investment Manager at its sole discretion
Type of units	Class C Accumulation (Class X units and Class C Income units available to launch at the Manager's discretion)
Dealings	Normally daily between 8.30 a.m. and 5.30 p.m.
Deal Cut-Off Point	11.00 am
Valuation Point	12.00 noon
Minimum Investment	
Class C units	Initially £50,000,000 Thereafter £100
+Minimum withdrawal	£250
***Current Charges:**	
Class C units	Preliminary charge: 7% Annual management charge: 0.20%
Annual Accounting Date	The last day of February

Annual Income Allocation Date	30 April
Half Yearly Accounting Date	31 August
Half Yearly Income Allocation Date	31 October

The annual short reports will be published on, or shortly after, 21 May each year and the half-yearly short reports on, or shortly after, 31 October each year.

+ Further details are given in section 17 titled "Minimum Investment and Minimum Holdings" in this Prospectus.

* Further details are given in section 28 titled "Charges" in this Prospectus.

Leverage

Types and sources of leverage and circumstances in which leverage may be used

The Fund may incur leverage (whether through borrowing of cash or securities, or embedded in derivative positions) in the circumstances, and subject to the provisions, which are set out in Appendix 3.

Leverage as required to be calculated by the AIFMD

Pursuant to its regulatory obligations, the Manager is required to express the level which the Fund's leverage will not exceed. For the purposes of this disclosure, leverage is any method by which the Fund's exposure is increased beyond its holding of securities and cash. A fund's exposure may be increased by using derivatives, by reinvesting cash borrowings, through securities lending or securities borrowing arrangements, or by such other means as may be permitted to be used pursuant to that fund's investment objectives and strategy (such increase referred to herein as the "**Incremental Exposure**"). The AIFMD prescribes two methodologies for calculating overall exposure of a fund: the "gross methodology" and the "commitment methodology". These methodologies are briefly summarised below but are set out in full detail in the AIFMD.

The commitment methodology takes account of the hedging and netting arrangements employed by a fund at any given time (purchased and sold derivative positions will be netted where both relate strictly to the same underlying asset). This calculation of exposure includes all Incremental Exposure as well as the fund's own physical holdings and cash. By contrast, the gross methodology does not take account of the netting or hedging arrangements employed by a fund. This calculation of exposure under the gross methodology includes all Incremental Exposure as well as the fund's own physical holdings, excluding cash.

The AIFMD requires that each leverage ratio be expressed as the ratio between a fund's total exposure (including securities and cash) and its net asset value, see section 24 for examples of leverage ratio breakdown. Using the methodologies prescribed under the AIFMD, the Fund is generally expected to be leveraged at the ratio of 1.2:1 using the commitment methodology and 1.2:1 using the gross methodology. The Fund may, however, have higher levels of leverage, including in atypical and volatile market conditions. In such circumstances, leverage will not exceed the ratio of 2:1 using the commitment methodology and 6:1 using the gross methodology.

BlackRock Managed Volatility Fund I

The Fund is a sub-fund of BlackRock Non-UCITS Retail Funds, a non-UCITS retail scheme under the COLL Sourcebook. The Fund was established on 10 February 2012 and was authorised by the FCA on 16 December 2011. The Fund's FCA product reference number is 637735.

Investment Objective and Policy

The aim of the Fund is to manage the volatility of its portfolio at or around 6% and to seek a total return. The volatility management strategy will have a direct impact on the Fund's returns which may be limited by this strategy. The measure of volatility is the annualised, equal-weighted volatility of the daily portfolio returns over the previous 60 Business Days.

The Fund aims to gain investment exposure primarily to equity securities and fixed income securities globally, money–market instruments, deposits, cash and near cash.

In order to achieve its objective, the Fund invests primarily in units of collective investment schemes and derivatives which provide exposure to the above asset classes. At any time, a substantial amount, or even all of the Fund's assets may be held as cash to assist in achieving the Fund's objective.

The Fund may also invest directly in transferable securities (equity securities and fixed income securities), money-market instruments and deposits. Derivatives and forward transactions will be used for the purposes of efficient portfolio management.

In seeking to achieve the volatility objective, the allocations of investment exposure between fixed income securities, money–market instruments, deposits, cash, near cash and equity securities will vary relative to each other over time. The allocations of investment exposure between asset classes is subject to a fixed allocation to fixed income securities which will be determined by the Investment Manager at its sole discretion. The fixed allocation to fixed income securities may at times suppress the Fund's volatility therefore limiting the Fund's ability to achieve its objective of managing volatility at or around 6%. Derivatives may also be used to reduce exposure to certain asset classes to assist in maintaining the volatility objective of the Fund.

There can be no guarantee that the Fund will achieve its objective of managing volatility at or around 6%.

Additional Information

Management of volatility	The aim of the Fund will be to manage volatility within tolerances set above and below 6%. The levels of the upper and lower tolerances will be determined by the Investment Manager at its sole discretion
Type of units	Class C Accumulation (Class X units and Class C Income units available to launch at the Manager's discretion)
Dealings	Normally daily between 8.30 a.m. and 5.30 p.m.
Deal Cut-Off Point	11.00 am
Valuation Point	12.00 noon
Minimum Investment	
Class C units	Initially £50,000,000 Thereafter £100
+Minimum withdrawal	£250
***Current Charges:**	
Class C units	Preliminary charge: 7% Annual management charge: 0.20%
Annual Accounting Date	The last day of February

Annual Income Allocation Date	30 April
Half Yearly Accounting Date	31 August
Half Yearly Income Allocation Date	31 October

The annual short reports will be published on, or shortly after, 21 May each year and the half-yearly short reports on, or shortly after, 31 October each year.

+ Further details are given in section 17 titled "Minimum Investment and Minimum Holdings" in this Prospectus.

* Further details are given in section 28 titled "Charges" in this Prospectus.

Leverage

Types and sources of leverage and circumstances in which leverage may be used

The Fund may incur leverage (whether through borrowing of cash or securities, or embedded in derivative positions) in the circumstances, and subject to the provisions, which are set out in Appendix 3.

Leverage as required to be calculated by the AIFMD

Pursuant to its regulatory obligations, the Manager is required to express the level which the Fund's leverage will not exceed. For the purposes of this disclosure, leverage is any method by which the Fund's exposure is increased beyond its holding of securities and cash. A fund's exposure may be increased by using derivatives, by reinvesting cash borrowings, through securities lending or securities borrowing arrangements, or by such other means as may be permitted to be used pursuant to that fund's investment objectives and strategy (such increase referred to herein as the "**Incremental Exposure**"). The AIFMD prescribes two methodologies for calculating overall exposure of a fund: the "gross methodology" and the "commitment methodology". These methodologies are briefly summarised below but are set out in full detail in the AIFMD.

The commitment methodology takes account of the hedging and netting arrangements employed by a fund at any given time (purchased and sold derivative positions will be netted where both relate strictly to the same underlying asset). This calculation of exposure includes all Incremental Exposure as well as the fund's own physical holdings and cash. By contrast, the gross methodology does not take account of the netting or hedging arrangements employed by a fund. This calculation of exposure under the gross methodology includes all Incremental Exposure as well as the fund's own physical holdings, excluding cash.

The AIFMD requires that each leverage ratio be expressed as the ratio between a fund's total exposure (including securities and cash) and its net asset value, see section 24 for examples of leverage ratio breakdown. Using the methodologies prescribed under the AIFMD, the Fund is generally expected to be leveraged at the ratio of 1.2:1 using the commitment methodology and 1.2:1 using the gross methodology. The Fund may, however, have higher levels of leverage, including in atypical and volatile market conditions. In such circumstances, leverage will not exceed the ratio of 2:1 using the commitment methodology and 6:1 using the gross methodology.

BlackRock Managed Volatility Fund II

The Fund is sub-fund of BlackRock Non-UCITS Retail Funds, a non-UCITS retail scheme under the COLL Sourcebook. The Fund was established on 10 February 2012 and was authorised by the FCA on 16 December 2011. The Fund's FCA product reference number is 637728.

Investment Objective and Policy

The aim of the Fund is to manage the volatility of its portfolio at or around 8% and to seek a total return. The volatility management strategy will have a direct impact on the Fund's returns which may be limited by this strategy. The measure of volatility is the annualised, equal-weighted volatility of the daily portfolio returns over the previous 60 Business Days.

The Fund aims to gain investment exposure primarily to equity securities and fixed income securities globally, money–market instruments, deposits, cash and near cash.

In order to achieve its objective, the Fund invests primarily in units of collective investment schemes and derivatives which provide exposure to the above asset classes. At any time, a substantial amount, or even all of the Fund's assets may be held as cash to assist in achieving the Fund's objective.

The Fund may also invest directly in transferable securities (equity securities and fixed income securities), money-market instruments and deposits. Derivatives and forward transactions will be used for the purposes of efficient portfolio management.

In seeking to achieve the volatility objective, the allocations of investment exposure between fixed income securities, money–market instruments, deposits, cash, near cash and equity securities will vary relative to each other over time. The allocations of investment exposure between asset classes is subject to a fixed allocation to fixed income securities which will be determined by the Investment Manager at its sole discretion. The fixed allocation to fixed income securities may at times suppress the Fund's volatility therefore limiting the Fund's ability to achieve its objective of managing volatility at or around 8%. Derivatives may also be used to reduce exposure to certain asset classes to assist in maintaining the volatility objective of the Fund.

There can be no guarantee that the Fund will achieve its objective of managing volatility at or around 8%.

Additional Information

Management of volatility	The aim of the Fund will be to manage volatility within tolerances set above and below 8%. The levels of the upper and lower tolerances will be determined by the Investment Manager at its sole discretion
Type of units	Class C Accumulation (Class X units and Class C Income units available to launch at the Manager's discretion)
Dealings	Normally daily between 8.30 a.m. and 5.30 p.m.
Deal Cut-Off Point	11.00 am
Valuation Point	12.00 noon
Minimum Investment	
Class C units	Initially £50,000,000 Thereafter £100
+Minimum withdrawal	£250
***Current Charges:**	
Class C units	Preliminary charge: 7% Annual management charge: 0.20%
Annual Accounting Date	The last day of February
Annual Income Allocation Date	30 April
Half Yearly Accounting Date	31 August

Half Yearly Income Allocation Date	31 October

The annual short reports will be published on, or shortly after, 21 May each year and the half-yearly short reports on or shortly after, 31 October each year.

+ Further details are given in section 17 titled "Minimum Investment and Minimum Holdings" in this Prospectus.

* Further details are given in section 28 titled "Charges" in this Prospectus.

Leverage

Types and sources of leverage and circumstances in which leverage may be used

The Fund may incur leverage (whether through borrowing of cash or securities, or embedded in derivative positions) in the circumstances, and subject to the provisions, which are set out in Appendix 3.

Leverage as required to be calculated by the AIFMD

Pursuant to its regulatory obligations, the Manager is required to express the level which the Fund's leverage will not exceed. For the purposes of this disclosure, leverage is any method by which the Fund's exposure is increased beyond its holding of securities and cash. A fund's exposure may be increased by using derivatives, by reinvesting cash borrowings, through securities lending or securities borrowing arrangements, or by such other means as may be permitted to be used pursuant to that fund's investment objectives and strategy (such increase referred to herein as the "**Incremental Exposure**"). The AIFMD prescribes two methodologies for calculating overall exposure of a fund: the "gross methodology" and the "commitment methodology". These methodologies are briefly summarised below but are set out in full detail in the AIFMD.

The commitment methodology takes account of the hedging and netting arrangements employed by a fund at any given time (purchased and sold derivative positions will be netted where both relate strictly to the same underlying asset). This calculation of exposure includes all Incremental Exposure as well as the fund's own physical holdings and cash. By contrast, the gross methodology does not take account of the netting or hedging arrangements employed by a fund. This calculation of exposure under the gross methodology includes all Incremental Exposure as well as the fund's own physical holdings, excluding cash.

The AIFMD requires that each leverage ratio be expressed as the ratio between a fund's total exposure (including securities and cash) and its net asset value, see section 24 for examples of leverage ratio breakdown. Using the methodologies prescribed under the AIFMD, the Fund is generally expected to be leveraged at the ratio of 1.3:1 using the commitment methodology and 1.3:1 using the gross methodology. The Fund may, however, have higher levels of leverage, including in atypical and volatile market conditions. In such circumstances, leverage will not exceed the ratio of 2:1 using the commitment methodology and 6:1 using the gross methodology.

BlackRock Managed Volatility Fund III

The Fund is a sub-fund of BlackRock Non-UCITS Retail Funds, a non-UCITS retail scheme under the COLL Sourcebook. The Fund was established on 10 February 2012 and was authorised by the FCA on 16 December 2011. The Fund's FCA product reference number is 637737.

Investment Objective and Policy

The aim of the Fund is to manage the volatility of its portfolio at or around 10% and to seek a total return. The volatility management strategy will have a direct impact on the Fund's returns which may be limited by this strategy. The measure of volatility is the annualised, equal-weighted volatility of the daily portfolio returns over the previous 60 Business Days.

The Fund aims to gain investment exposure primarily to equity securities and fixed income securities globally, money–market instruments, deposits, cash and near cash.

In order to achieve its objective, the Fund invests primarily in units of collective investment schemes and derivatives which provide exposure to the above asset classes. At any time, a substantial amount, or even all of the Fund's assets may be held as cash to assist in achieving the Fund's objective.

The Fund may also invest directly in transferable securities (equity securities and fixed income securities), money-market instruments and deposits. Derivatives and forward transactions will be used for the purposes of efficient portfolio management.

In seeking to achieve the volatility objective, the allocations of investment exposure between fixed income securities, money–market instruments, deposits, cash, near cash and equity securities will vary relative to each other over time. The allocations of investment exposure between asset classes is subject to a fixed allocation to fixed income securities which will be determined by the Investment Manager at its sole discretion. The fixed allocation to fixed income securities may at times suppress the Fund's volatility therefore limiting the Fund's ability to achieve its objective of managing volatility at or around 10%. Derivatives may also be used to reduce exposure to certain asset classes to assist in maintaining the volatility objective of the Fund.

There can be no guarantee that the Fund will achieve its objective of managing volatility at or around 10%.

Additional Information

Management of volatility	The aim of the Fund will be to manage volatility within tolerances set above and below 10%. The levels of the upper and lower tolerances will be determined by the Investment Manager at its sole discretion
Type of units	Class C Accumulation (Class X units and Class C Income units available to launch at the Manager's discretion)
Dealings	Normally daily between 8.30 a.m. and 5.30 p.m.
Deal Cut-Off Point	11.00 am
Valuation Point	12.00 noon
Minimum Investment	
Class C units	Initially £50,000,000 Thereafter £100
+Minimum withdrawal	£250
***Current Charges:**	
Class C units	Preliminary charge: 7% Annual management charge: 0.20%
Annual Accounting Date	The last day of February
Annual Income Allocation Date	30 April
Half Yearly Accounting Date	31 August

Half Yearly Income Allocation Date	31 October

The annual short reports will be published on, or shortly after, 21 May each year and the half-yearly short reports on, or shortly after, 31 October each year.

+ Further details are given in section 17 titled "Minimum Investment and Minimum Holdings" in this Prospectus.

* Further details are given in section 28 titled "Charges" in this Prospectus.

Leverage

Types and sources of leverage and circumstances in which leverage may be used

The Fund may incur leverage (whether through borrowing of cash or securities, or embedded in derivative positions) in the circumstances, and subject to the provisions, which are set out in Appendix 3.

Leverage as required to be calculated by the AIFMD

Pursuant to its regulatory obligations, the Manager is required to express the level which the Fund's leverage will not exceed. For the purposes of this disclosure, leverage is any method by which the Fund's exposure is increased beyond its holding of securities and cash. A fund's exposure may be increased by using derivatives, by reinvesting cash borrowings, through securities lending or securities borrowing arrangements, or by such other means as may be permitted to be used pursuant to that fund's investment objectives and strategy (such increase referred to herein as the "**Incremental Exposure**"). The AIFMD prescribes two methodologies for calculating overall exposure of a fund: the "gross methodology" and the "commitment methodology". These methodologies are briefly summarised below but are set out in full detail in the AIFMD.

The commitment methodology takes account of the hedging and netting arrangements employed by a fund at any given time (purchased and sold derivative positions will be netted where both relate strictly to the same underlying asset). This calculation of exposure includes all Incremental Exposure as well as the fund's own physical holdings and cash. By contrast, the gross methodology does not take account of the netting or hedging arrangements employed by a fund. This calculation of exposure under the gross methodology includes all Incremental Exposure as well as the fund's own physical holdings, excluding cash.

The AIFMD requires that each leverage ratio be expressed as the ratio between a fund's total exposure (including securities and cash) and its net asset value, see section 24 for examples of leverage ratio breakdown. Using the methodologies prescribed under the AIFMD, the Fund is generally expected to be leveraged at the ratio of 1.4:1 using the commitment methodology and 1.3:1 using the gross methodology. The Fund may, however, have higher levels of leverage, including in atypical and volatile market conditions. In such circumstances, leverage will not exceed the ratio of 2:1 using the commitment methodology and 6:1 using the gross methodology.

BlackRock Managed Volatility Fund IV

The Fund is a sub-fund of BlackRock Non-UCITS Retail Funds, a non-UCITS retail scheme under the COLL Sourcebook. The Fund was authorised by the FCA on 5 February 2015 and is expected to launch on (or around) 16 September 2015. The Fund's FCA product reference number is 718609.

Investment Objective and Policy

The aim of the Fund is to manage the volatility of its portfolio at or around 15% and to seek a total return. The volatility management strategy will have a direct impact on the Fund's returns which may be limited by this strategy. The measure of volatility is the annualised, equal-weighted volatility of the daily portfolio returns over the previous 60 Business Days.

The Fund aims to gain investment exposure to equity securities globally, money–market instruments, deposits, cash and near cash.

In order to achieve its objective, the Fund may invest in equity futures, foreign exchange forward contracts and money-market instruments. The Fund may also invest in units of other collective investment schemes and deposits. At any time, a substantial amount, or even all of the Fund's assets may be held as cash to assist in achieving the Fund's objective.

Derivatives and foreign exchange forward transactions will be used for the purposes of both investment and efficient portfolio management.

In seeking to achieve the volatility objective, the allocations of investment exposure between equity futures, foreign exchange forward contracts, money–market instruments, units in other collective investment schemes, deposits, cash and near cash will vary relative to each other over time.

The Fund will also seek to manage, on an intra-day basis, extreme daily equity market movements. If triggered by extreme equity market movements, this intra-day process will override the daily volatility management process.

There can be no guarantee that the Fund will achieve its objective of managing volatility at or around 15%.

Additional Information

Management of volatility	The aim of the Fund will be to manage volatility within tolerances set above and below 15%. The levels of the upper and lower tolerances will be determined by the Investment Manager at its sole discretion.
Type of units	Class C Accumulation (Class X units and Class C Income units available to launch at the Manager's discretion)
Dealings	Normally daily between 8.30 a.m. and 5.30 p.m.
Deal Cut-Off Point	12.00 noon
Valuation Point	12.00 noon
Initial offer period	8.30 a.m. to 12.00 noon on 16 September 2015
Minimum Investment	
Class C units	Initially £50,000,000 Thereafter £100
+Minimum withdrawal	£250
***Current Charges:**	
Class C units	Preliminary charge: 7% Annual management charge: 0.25%
Annual Accounting Date	The last day of February
Annual Income Allocation Date	30 April
Half Yearly Accounting Date	31 August

Half Yearly Income Allocation Date	31 October

The first Annual Accounting Date will be 29 February 2016 and the first annual short report will be published on, or shortly, after 21 May 2016.

The annual short reports will be published on, or shortly after, 21 May each year and the half-yearly short reports on, or shortly after, 31 October each year. The first half yearly report will be prepared for 31 October 2015.

+ Further details are given in section 17 titled "Minimum Investment and Minimum Holdings" in this Prospectus.

* Further details are given in section 28 titled "Charges" in this Prospectus.

Leverage

Types and sources of leverage and circumstances in which leverage may be used

The Fund may incur leverage (whether through borrowing of cash or securities, or embedded in derivative positions) in the circumstances, and subject to the provisions, which are set out in Appendix 3.

Leverage as required to be calculated by the AIFMD

Pursuant to its regulatory obligations, the Manager is required to express the level which the Fund's leverage will not exceed. For the purposes of this disclosure, leverage is any method by which the Fund's exposure is increased beyond its holding of securities and cash. A fund's exposure may be increased by using derivatives, by reinvesting cash borrowings, through securities lending or securities borrowing arrangements, or by such other means as may be permitted to be used pursuant to that fund's investment objectives and strategy (such increase referred to herein as the "**Incremental Exposure**"). The AIFMD prescribes two methodologies for calculating overall exposure of a fund: the "gross methodology" and the "commitment methodology". These methodologies are briefly summarised below but are set out in full detail in the AIFMD.

The commitment methodology takes account of the hedging and netting arrangements employed by a fund at any given time (purchased and sold derivative positions will be netted where both relate strictly to the same underlying asset). This calculation of exposure includes all Incremental Exposure as well as the fund's own physical holdings and cash. By contrast, the gross methodology does not take account of the netting or hedging arrangements employed by a fund. This calculation of exposure under the gross methodology includes all Incremental Exposure as well as the fund's own physical holdings, excluding cash.

The AIFMD requires that each leverage ratio be expressed as the ratio between a fund's total exposure (including securities and cash) and its net asset value, see section 24 for examples of leverage ratio breakdown. Using the methodologies prescribed under the AIFMD, the Fund is generally expected to be leveraged at the ratio of 2.5:1 using the commitment methodology and 2.5:1 using the gross methodology. The Fund may, however, have higher levels of leverage, including in atypical and volatile market conditions. In such circumstances, leverage will not exceed the ratio of 6:1 using the commitment methodology and 6:1 using the gross methodology.

BlackRock Volatility Strategy Fund I

The Fund is a sub-fund of BlackRock Non-UCITS Retail Funds, a non-UCITS retail scheme under the COLL Sourcebook. The Fund was established on 6 March 2013 and was authorised by the FCA on 17 January 2013. The Fund's FCA product reference number is 637731.

Investment Objective and Policy

The aim of the Fund is to manage the volatility of its portfolio at or around 9% and to seek a total return. The volatility management strategy will have a direct impact on the Fund's returns which may be limited by this strategy. The measure of volatility is the annualised, equal-weighted volatility of the monthly portfolio returns over a rolling three year period, with the aim of maintaining the volatility of the Fund within a 7% lower tolerance and 10% upper tolerance band.

The Fund aims to gain investment exposure primarily to equity securities and fixed income securities globally, money–market instruments, deposits, cash and near cash.

In order to achieve its objective, the Fund invests primarily in units of collective investment schemes and derivatives which provide exposure to the above asset classes. At any time, a substantial amount, or even all of the Fund's assets may be held as cash to assist in achieving the Fund's objective.

The Fund may also invest directly in transferable securities (equity securities and fixed income securities), money-market instruments, deposits, cash and near cash. Derivatives and forward transactions may be used for the purposes of efficient portfolio management.

There is no guarantee that the Fund will achieve its objective of managing volatility at or around 9%, or that it will be managed at all times within the intended 7% lower tolerance and 10% upper tolerance band.

Additional Information

Management of volatility	The aim of the Fund will be to manage volatility within tolerances set out above. The levels of the upper and lower tolerances will be determined by the Investment Manager at its sole discretion.
Type of units	Class C Accumulation Class E Accumulation (Class X units, Class C Income units and Class E Income units available to launch at the Manager's discretion)
Dealings	Normally daily between 8.30 a.m. and 5.30 p.m.
Deal Cut-Off Point	11.00 am
Valuation Point	12.00 noon
Minimum Investment	
Class C units	Initially £50,000,000 Thereafter £100
+Minimum withdrawal	£250
Class E units	Initially £20,000,000 Thereafter £100
+Minimum withdrawal	£250
***Current Charges:**	
Class C units	Preliminary charge: 7% Annual management charge: 0.20%

Class E units	Preliminary charge: 7% Annual management charge: 0.35%
Annual Accounting Date	The last day of February
Annual Income Allocation Date	30 April
Half Yearly Accounting Date	31 August
Half Yearly Income Allocation Date	31 October

The first Annual Accounting Date will be 28 February 2014 and the first annual short report will be published on, or shortly, after 21 May 2014.

Thereafter, the annual short reports will be published on, or shortly after, the 21 May each year and half-yearly short reports on, or shortly after, the 31 October each year.

+ Further details are given in section 17 titled "Minimum Investment and Minimum Holdings" in this Prospectus.

* Further details are given in section 28 titled "Charges" in this Prospectus.

Leverage

Types and sources of leverage and circumstances in which leverage may be used

The Fund may incur leverage (whether through borrowing of cash or securities, or embedded in derivative positions) in the circumstances, and subject to the provisions, which are set out in Appendix 3.

Leverage as required to be calculated by the AIFMD

Pursuant to its regulatory obligations, the Manager is required to express the level which the Fund's leverage will not exceed. For the purposes of this disclosure, leverage is any method by which the Fund's exposure is increased beyond its holding of securities and cash. A fund's exposure may be increased by using derivatives, by reinvesting cash borrowings, through securities lending or securities borrowing arrangements, or by such other means as may be permitted to be used pursuant to that fund's investment objectives and strategy (such increase referred to herein as the "**Incremental Exposure**"). The AIFMD prescribes two methodologies for calculating overall exposure of a fund: the "gross methodology" and the "commitment methodology". These methodologies are briefly summarised below but are set out in full detail in the AIFMD.

The commitment methodology takes account of the hedging and netting arrangements employed by a fund at any given time (purchased and sold derivative positions will be netted where both relate strictly to the same underlying asset). This calculation of exposure includes all Incremental Exposure as well as the fund's own physical holdings and cash. By contrast, the gross methodology does not take account of the netting or hedging arrangements employed by a fund. This calculation of exposure under the gross methodology includes all Incremental Exposure as well as the fund's own physical holdings, excluding cash.

The AIFMD requires that each leverage ratio be expressed as the ratio between a fund's total exposure (including securities and cash) and its net asset value, see section 24 for examples of leverage ratio breakdown. Using the methodologies prescribed under the AIFMD, the Fund is generally expected to be leveraged at the ratio of 1.2:1 using the commitment methodology and 1.2:1 using the gross methodology. The Fund may, however, have higher levels of leverage, including in atypical and volatile market conditions. In such circumstances, leverage will not exceed the ratio of 1.5:1 using the commitment methodology and 2:1 using the gross methodology.

BlackRock Volatility Strategy Fund II

The Fund is a sub-fund of BlackRock Non-UCITS Retail Funds, a non-UCITS retail scheme under the COLL Sourcebook. The Fund was established on 6 March 2013 and was authorised by the FCA on 17 January 2013. The Fund's FCA product reference number is 637732.

Investment Objective and Policy

The aim of the Fund is to manage the volatility of its portfolio at or around 11% and to seek a total return. The volatility management strategy will have a direct impact on the Fund's returns which may be limited by this strategy. The measure of volatility is the annualised, equal-weighted volatility of the monthly portfolio returns over a rolling threeyear period, with the aim of maintaining the volatility of the Fund within a 9% lower tolerance and 12% upper tolerance band.

The Fund aims to gain investment exposure primarily to equity securities and fixed income securities globally, money–market instruments, deposits, cash and near cash.

In order to achieve its objective, the Fund invests primarily in units of collective investment schemes and derivatives which provide exposure to the above asset classes. At any time, a substantial amount, or even all of the Fund's assets may be held as cash to assist in achieving the Fund's objective.

The Fund may also invest directly in transferable securities (equity securities and fixed income securities), money-market instruments, deposits, cash and near cash. Derivatives and forward transactions may be used for the purposes of efficient portfolio management.

There is no guarantee that the Fund will achieve its objective of managing volatility at or around 11%, or that it will be managed at all times within the intended 9% lower tolerance and 12% upper tolerance band.

Additional Information

Management of volatility	The aim of the Fund will be to manage volatility within tolerances set out above. The levels of the upper and lower tolerances will be determined by the Investment Manager at its sole discretion.
Type of units	Class C Accumulation Class E Accumulation (Class X units, Class C Income units and Class E Income units available to launch at the Manager's discretion)
Dealings	Normally daily between 8.30 a.m. and 5.30 p.m.
Deal Cut-Off Point	11.00 am
Valuation Point	12.00 noon
Minimum Investment	
Class C units	Initially £50,000,000 Thereafter £100
+Minimum withdrawal	£250
Class E units	Initially £20,000,000 Thereafter £100
+Minimum withdrawal	£250
***Current Charges:**	
Class C units	Preliminary charge: 7% Annual management charge: 0.20%
Class E units	Preliminary charge: 7% Annual management charge: 0.35%

Annual Accounting Date	The last day of February
Annual Income Allocation Date	30 April
Half Yearly Accounting Date	31 August
Half Yearly Income Allocation Date	31 October

The first Annual Accounting Date will be 28 February 2014 and the first annual short report will be published on, or shortly after, 21 May 2014.

Thereafter, the annual short reports will be published on, or shortly after, the 21 May each year and half-yearly short reports on, or shortly after, the 31 October each year.

+ Further details are given in section 17 titled "Minimum Investment and Minimum Holdings" in this Prospectus.

* Further details are given in section 28 titled "Charges" in this Prospectus.

Leverage

Types and sources of leverage and circumstances in which leverage may be used

The Fund may incur leverage (whether through borrowing of cash or securities, or embedded in derivative positions) in the circumstances, and subject to the provisions, which are set out in Appendix 3.

Leverage as required to be calculated by the AIFMD

Pursuant to its regulatory obligations, the Manager is required to express the level which the Fund's leverage will not exceed. For the purposes of this disclosure, leverage is any method by which the Fund's exposure is increased beyond its holding of securities and cash. A fund's exposure may be increased by using derivatives, by reinvesting cash borrowings, through securities lending or securities borrowing arrangements, or by such other means as may be permitted to be used pursuant to that fund's investment objectives and strategy (such increase referred to herein as the "**Incremental Exposure**"). The AIFMD prescribes two methodologies for calculating overall exposure of a fund: the "gross methodology" and the "commitment methodology". These methodologies are briefly summarised below but are set out in full detail in the AIFMD.

The commitment methodology takes account of the hedging and netting arrangements employed by a fund at any given time (purchased and sold derivative positions will be netted where both relate strictly to the same underlying asset). This calculation of exposure includes all Incremental Exposure as well as the fund's own physical holdings and cash. By contrast, the gross methodology does not take account of the netting or hedging arrangements employed by a fund. This calculation of exposure under the gross methodology includes all Incremental Exposure as well as the fund's own physical holdings, excluding cash.

The AIFMD requires that each leverage ratio be expressed as the ratio between a fund's total exposure (including securities and cash) and its net asset value, see section 24 for examples of leverage ratio breakdown. Using the methodologies prescribed under the AIFMD, the Fund is generally expected to be leveraged at the ratio of 1.2:1 using the commitment methodology and 1.2:1 using the gross methodology. The Fund may, however, have higher levels of leverage, including in atypical and volatile market conditions. In such circumstances, leverage will not exceed the ratio of 1.5:1 using the commitment methodology and 2:1 using the gross methodology.

BlackRock Volatility Strategy Fund III

The Fund is a sub-fund of BlackRock Non-UCITS Retail Funds, a non-UCITS retail scheme under the COLL Sourcebook. The Fund was established on 6 March 2013 and was authorised by the FCA on 17 January 2013. The Fund's FCA product reference number is 637733.

Investment Objective and Policy

The aim of the Fund is to manage the volatility of its portfolio at or around 13% and to seek a total return. The volatility management strategy will have a direct impact on the Fund's returns which may be limited by this strategy. The measure of volatility is the annualised, equal-weighted volatility of the monthly portfolio returns over a rolling threeyear period, with the aim of maintaining the volatility of the Fund within a 11% lower tolerance and 14% upper tolerance band.

The Fund aims to gain investment exposure primarily to equity securities and fixed income securities globally, money–market instruments, deposits, cash and near cash.

In order to achieve its objective, the Fund invests primarily in units of collective investment schemes and derivatives which provide exposure to the above asset classes. At any time, a substantial amount, or even all of the Fund's assets may be held as cash to assist in achieving the Fund's objective.

The Fund may also invest directly in transferable securities (equity securities and fixed income securities), money-market instruments, deposits, cash and near cash. Derivatives and forward transactions may be used for the purposes of efficient portfolio management.

There is no guarantee that the Fund will achieve its objective of managing volatility at or around 13%, or that it will be managed at all times within the intended 11% lower tolerance and 14% upper tolerance band.

Additional Information

Management of volatility	The aim of the Fund will be to manage volatility within tolerances set out above. The levels of the upper and lower tolerances will be determined by the Investment Manager at its sole discretion.
Type of units	Class C Accumulation Class E Accumulation (Class X units, Class C Income units and Class E Income units available to launch at the Manager's discretion)
Dealings	Normally daily between 8.30 a.m. and 5.30 p.m.
Deal Cut-Off Point	11.00 am
Valuation Point	12.00 noon
Minimum Investment	
Class C units	Initially £50,000,000 Thereafter £100
+Minimum withdrawal	£250
Class E units	Initially £20,000,000 Thereafter £100
+Minimum withdrawal	£250
***Current Charges:**	
Class C units	Preliminary charge: 7% Annual management charge: 0.20%
Class E units	Preliminary charge: 7% Annual management charge: 0.35%

Annual Accounting Date	The last day of February
Annual Income Allocation Date	30 April
Half Yearly Accounting Date	31 August
Half Yearly Income Allocation Date	31 October

The first Annual Accounting Date will be 28 February 2014 and the first annual short report will be published on, or shortly after, 21 May 2014.

Thereafter, the annual short reports will be published on, or shortly after, the 21 May each year and half-yearly short reports on, or shortly after, the 31 October each year.

+ Further details are given in section 17 titled "Minimum Investment and Minimum Holdings" in this Prospectus.

* Further details are given in section 28 titled "Charges" in this Prospectus.

Leverage

Types and sources of leverage and circumstances in which leverage may be used

The Fund may incur leverage (whether through borrowing of cash or securities, or embedded in derivative positions) in the circumstances, and subject to the provisions, which are set out in Appendix 3.

Leverage as required to be calculated by the AIFMD

Pursuant to its regulatory obligations, the Manager is required to express the level which the Fund's leverage will not exceed. For the purposes of this disclosure, leverage is any method by which the Fund's exposure is increased beyond its holding of securities and cash. A fund's exposure may be increased by using derivatives, by reinvesting cash borrowings, through securities lending or securities borrowing arrangements, or by such other means as may be permitted to be used pursuant to that fund's investment objectives and strategy (such increase referred to herein as the "**Incremental Exposure**"). The AIFMD prescribes two methodologies for calculating overall exposure of a fund: the "gross methodology" and the "commitment methodology". These methodologies are briefly summarised below but are set out in full detail in the AIFMD.

The commitment methodology takes account of the hedging and netting arrangements employed by a fund at any given time (purchased and sold derivative positions will be netted where both relate strictly to the same underlying asset). This calculation of exposure includes all Incremental Exposure as well as the fund's own physical holdings and cash. By contrast, the gross methodology does not take account of the netting or hedging arrangements employed by a fund. This calculation of exposure under the gross methodology includes all Incremental Exposure as well as the fund's own physical holdings, excluding cash.

The AIFMD requires that each leverage ratio be expressed as the ratio between a fund's total exposure (including securities and cash) and its net asset value, see section 24 for examples of leverage ratio breakdown. Using the methodologies prescribed under the AIFMD, the Fund is generally expected to be leveraged at the ratio of 1.2:1 using the commitment methodology and 1.2:1 using the gross methodology. The Fund may, however, have higher levels of leverage, including in atypical and volatile market conditions. In such circumstances, leverage will not exceed the ratio of 1.5:1 using the commitment methodology and 2:1 using the gross methodology.

BlackRock Volatility Strategy Fund IV

The Fund is a sub-fund of BlackRock Non-UCITS Retail Funds, a non-UCITS retail scheme under the COLL Sourcebook. The Fund was established on 10 February 2014 and was authorised by the FCA on 10 January 2014. The Fund's FCA product reference number is 637738.

Investment Objective and Policy

The aim of the Fund is to manage the volatility of its portfolio at or around 15% and to seek a total return. The volatility management strategy will have a direct impact on the Fund's returns which may be limited by this strategy. The measure of volatility is the annualised, equal-weighted volatility of the monthly portfolio returns over a rolling three year period, with the aim of maintaining the volatility of the Fund within a 13% lower tolerance and 16% upper tolerance band.

The Fund aims to gain investment exposure primarily to equity securities and fixed income securities globally, money–market instruments, deposits, cash and near cash.

In order to achieve its objective, the Fund invests primarily in units of collective investment schemes and derivatives which provide exposure to the above asset classes. At any time, a substantial amount, or even all of the Fund's assets may be held as cash to assist in achieving the Fund's objective.

The Fund may also invest directly in transferable securities (equity securities and fixed income securities), money-market instruments, deposits, cash and near cash. Derivatives and forward transactions may be used for the purposes of efficient portfolio management.

There is no guarantee that the Fund will achieve its objective of managing volatility at or around 15%, or that it will be managed at all times within the intended 13% lower tolerance and 16% upper tolerance band.

Additional Information

Management of Volatility	The aim of the Fund will be to manage volatility within tolerances set out above. The levels of the upper and lower tolerances will be determined by the Investment Manager at its sole discretion.
Type of units	Class C Accumulation Class E Accumulation (Class X units, Class C Income units and Class E Income units available to launch at the Manager's discretion)
Dealings	Normally daily between 8.30 a.m. and 5.30 p.m.
Deal Cut-Off Point	11.00 am
Valuation Point	12.00 noon
Minimum Investment	
Class C units	Initially £50,000,000 Thereafter £100
+Minimum withdrawal	£250
Class E units	Initially £20,000,000 Thereafter £100
+Minimum withdrawal	£250
***Current Charges:**	
Class C units	Preliminary charge: 7% Annual management charge: 0.20%
Class E units	Preliminary charge: 7% Annual management charge: 0.35%
Annual Accounting Date	The last day of February
Annual Income Allocation Date	30 April

Half Yearly Accounting Date	31 August
Half Yearly Income Allocation Date	31 October

The first Annual Accounting Date will be 28 February 2015 and the first annual Manager's report will be published on or shortly after 21 May 2015. The first half-yearly Manager's Short Report will be published on 31 October 2014.

Thereafter, the annual short reports will be published on, or shortly after, the 21 May each year and half-yearly short reports on, or shortly after, the 31 October each year.

+ Further details are given in section 17 titled "Minimum Investment and Minimum Holdings" in this Prospectus.
* Further details are given in section 28 titled "Charges" in this Prospectus

Leverage

Types and sources of leverage and circumstances in which leverage may be used

The Fund may incur leverage (whether through borrowing of cash or securities, or embedded in derivative positions) in the circumstances, and subject to the provisions, which are set out in Appendix 3.

Leverage as required to be calculated by the AIFMD

Pursuant to its regulatory obligations, the Manager is required to express the level which the Fund's leverage will not exceed. For the purposes of this disclosure, leverage is any method by which the Fund's exposure is increased beyond its holding of securities and cash. A fund's exposure may be increased by using derivatives, by reinvesting cash borrowings, through securities lending or securities borrowing arrangements, or by such other means as may be permitted to be used pursuant to that fund's investment objectives and strategy (such increase referred to herein as the "**Incremental Exposure**"). The AIFMD prescribes two methodologies for calculating overall exposure of a fund: the "gross methodology" and the "commitment methodology". These methodologies are briefly summarised below but are set out in full detail in the AIFMD.

The commitment methodology takes account of the hedging and netting arrangements employed by a fund at any given time (purchased and sold derivative positions will be netted where both relate strictly to the same underlying asset). This calculation of exposure includes all Incremental Exposure as well as the fund's own physical holdings and cash. By contrast, the gross methodology does not take account of the netting or hedging arrangements employed by a fund. This calculation of exposure under the gross methodology includes all Incremental Exposure as well as the fund's own physical holdings, excluding cash.

The AIFMD requires that each leverage ratio be expressed as the ratio between a fund's total exposure (including securities and cash) and its net asset value, see section 24 for examples of leverage ratio breakdown. Using the methodologies prescribed under the AIFMD, the Fund is generally expected to be leveraged at the ratio of 1.3:1 using the commitment methodology and 1.3:1 using the gross methodology. The Fund may, however, have higher levels of leverage, including in atypical and volatile market conditions. In such circumstances, leverage will not exceed the ratio of 1.5:1 using the commitment methodology and 2:1 using the gross methodology.

BlackRock UK Managed Volatility Fund I

The Fund is a sub-fund of BlackRock Non-UCITS Retail Funds, a non-UCITS retail scheme under the COLL Sourcebook. The Fund was established on 14 October 2013 and was authorised by the FCA on 27 September 2013. The Fund's FCA product reference number is 637735.

Investment Objective and Policy

The aim of the Fund is to manage the volatility of its portfolio at or around 5% and to seek a total return. The volatility management strategy will have a direct impact on the Fund's returns which may be limited by this strategy. The Fund's aim is to maintain the volatility of the Fund within a 4% lower and 6% upper tolerance band where the measure of volatility is the annualised, equal-weighted volatility of the daily portfolio returns over the previous 120 Business Days.

The Fund aims to gain investment exposure primarily to UK companies quoted on the UK equity markets and to UK fixed income securities (including UK gilts and corporate bonds).

In order to achieve its objective, the Fund invests primarily in units of collective investment schemes and derivatives which provide exposure to the above asset classes. At any time, a substantial amount, or even all of the Fund's assets may be held as cash to assist in achieving the Fund's objective.

The Fund may also invest directly in transferable securities (equity securities and fixed income securities), money-market instruments and deposits, cash and near cash. Derivatives and forward transactions will be used for the purposes of efficient portfolio management.

There is no guarantee that the Fund will achieve its objective of managing volatility at or around 5%, or that it will be managed at all times within the intended 4% lower and 6% upper tolerance band.

Additional Information

Management of volatility	The aim of the Fund will be to manage volatility within the tolerances set out above.
Type of units	Class C Accumulation (Class X units and Class C Income units available to launch at the Manager's discretion)
Dealings	Normally daily between 8.30 a.m. and 5.30 p.m.
Deal Cut-Off Point	11.00 am
Valuation Point	12.00 noon
Minimum Investment	
Class C units	Initially £50,000,000 Thereafter £100
+Minimum withdrawal	£250
***Current Charges:**	
Class C units	Preliminary charge: 7 % Annual management charge: 0.20 %
Annual Accounting Date	the last day of February each year
Annual Income Allocation Date	30 April
Half Yearly Accounting Date	31 August
Half Yearly Income Allocation Date	31 October

The first Annual Accounting Date will be 28 February 2014 and the first annual short report will be published on, or shortly after, 21 May 2014.

Thereafter, the annual short reports will be published on, or shortly after, the 21 May each year and half-yearly short reports on, or shortly after, the 31 October each year.

+ Further details are given in section 17 titled "Minimum Investment and Minimum Holdings" in this Prospectus.

* Further details are given in section 28 titled "Charges" in this Prospectus.

Leverage

Types and sources of leverage and circumstances in which leverage may be used

The Fund may incur leverage (whether through borrowing of cash or securities, or embedded in derivative positions) in the circumstances, and subject to the provisions, which are set out in Appendix 3.

Leverage as required to be calculated by the AIFMD

Pursuant to its regulatory obligations, the Manager is required to express the level which the Fund's leverage will not exceed. For the purposes of this disclosure, leverage is any method by which the Fund's exposure is increased beyond its holding of securities and cash. A fund's exposure may be increased by using derivatives, by reinvesting cash borrowings, through securities lending or securities borrowing arrangements, or by such other means as may be permitted to be used pursuant to that fund's investment objectives and strategy (such increase referred to herein as the "**Incremental Exposure**"). The AIFMD prescribes two methodologies for calculating overall exposure of a fund: the "gross methodology" and the "commitment methodology". These methodologies are briefly summarised below but are set out in full detail in the AIFMD.

The commitment methodology takes account of the hedging and netting arrangements employed by a fund at any given time (purchased and sold derivative positions will be netted where both relate strictly to the same underlying asset). This calculation of exposure includes all Incremental Exposure as well as the fund's own physical holdings and cash. By contrast, the gross methodology does not take account of the netting or hedging arrangements employed by a fund. This calculation of exposure under the gross methodology includes all Incremental Exposure as well as the fund's own physical holdings, excluding cash.

The AIFMD requires that each leverage ratio be expressed as the ratio between a fund's total exposure (including securities and cash) and its net asset value, see section 24 for examples of leverage ratio breakdown. Using the methodologies prescribed under the AIFMD, the Fund is generally expected to be leveraged at the ratio of 1.5:1 using the commitment methodology and 1.3:1 using the gross methodology. The Fund may, however, have higher levels of leverage, including in atypical and volatile market conditions. In such circumstances, leverage will not exceed the ratio of 2.5:1 using the commitment methodology and 2.5:1 using the gross methodology.

BlackRock UK Managed Volatility Fund II

The Fund is a sub-fund of BlackRock Non-UCITS Retail Funds, a non-UCITS retail scheme under the COLL Sourcebook. The Fund was established on 14 October 2013 and was authorised by the FCA on 27 September 2013. The Fund's FCA product reference number is 637736.

Investment Objective and Policy

The aim of the Fund is to manage the volatility of its portfolio at or around 7% and to seek a total return. The volatility management strategy will have a direct impact on the Fund's returns which may be limited by this strategy. The Fund's aim is to maintain the volatility of the Fund within a 6% lower and 8% upper tolerance band where the measure of volatility is the annualised, equal-weighted volatility of the daily portfolio returns over the previous 120 Business Days.

The Fund aims to gain investment exposure primarily to UK companies quoted on the UK equity markets and to UK fixed income securities (including UK gilts and corporate bonds).

In order to achieve its objective, the Fund invests primarily in units of collective investment schemes and derivatives which provide exposure to the above asset classes. At any time, a substantial amount, or even all of the Fund's assets may be held as cash to assist in achieving the Fund's objective.

The Fund may also invest directly in transferable securities (equity securities and fixed income securities), money-market instruments and deposits, cash and near cash. Derivatives and forward transactions will be used for the purposes of efficient portfolio management.

There is no guarantee that the Fund will achieve its objective of managing volatility at or around 7%, or that it will be managed at all times within the intended 6% lower and 8% upper tolerance band.

Additional Information

Management of volatility	The aim of the Fund will be to manage volatility within the tolerances set out above.
Type of units	Class C Accumulation (Class X units and Class C Income units available to launch at the Manager's discretion)
Dealings	Normally daily between 8.30 a.m. and 5.30 p.m.
Deal Cut-Off Point	11.00 am
Valuation Point	12.00 noon
Minimum Investment	
Class C units	Initially £50,000,000 Thereafter £100
+Minimum withdrawal	£250
***Current Charges:**	
Class C units	Preliminary charge: 7 % Annual management charge: 0.20 %
Annual Accounting Date	The last day of February
Annual Income Allocation Date	30 April
Half Yearly Accounting Date	31 August
Half Yearly Income Allocation Date	31 October

The first Annual Accounting Date will be 28 February 2014 and the first annual short report will be published on, or shortly after, 21 May 2014. Thereafter, the annual short reports will be published on, or shortly after, the 21 May each year and half-yearly short reports on, or shortly after, the 31 October each year.

+ Further details are given in section 17 titled "Minimum Investment and Minimum Holdings" in this Prospectus.

* Further details are given in section 28 titled "Charges" in this Prospectus.

Leverage

Types and sources of leverage and circumstances in which leverage may be used

The Fund may incur leverage (whether through borrowing of cash or securities, or embedded in derivative positions) in the circumstances, and subject to the provisions, which are set out in Appendix 3.

Leverage as required to be calculated by the AIFMD

Pursuant to its regulatory obligations, the Manager is required to express the level which the Fund's leverage will not exceed. For the purposes of this disclosure, leverage is any method by which the Fund's exposure is increased beyond its holding of securities and cash. A fund's exposure may be increased by using derivatives, by reinvesting cash borrowings, through securities lending or securities borrowing arrangements, or by such other means as may be permitted to be used pursuant to that fund's investment objectives and strategy (such increase referred to herein as the "**Incremental Exposure**"). The AIFMD prescribes two methodologies for calculating overall exposure of a fund: the "gross methodology" and the "commitment methodology". These methodologies are briefly summarised below but are set out in full detail in the AIFMD.

The commitment methodology takes account of the hedging and netting arrangements employed by a fund at any given time (purchased and sold derivative positions will be netted where both relate strictly to the same underlying asset). This calculation of exposure includes all Incremental Exposure as well as the fund's own physical holdings and cash. By contrast, the gross methodology does not take account of the netting or hedging arrangements employed by a fund. This calculation of exposure under the gross methodology includes all Incremental Exposure as well as the fund's own physical holdings, excluding cash.

The AIFMD requires that each leverage ratio be expressed as the ratio between a fund's total exposure (including securities and cash) and its net asset value, see section 24 for examples of leverage ratio breakdown. Using the methodologies prescribed under the AIFMD, the Fund is generally expected to be leveraged at the ratio of 1.5:1 using the commitment methodology and 1.3:1 using the gross methodology. The Fund may, however, have higher levels of leverage, including in atypical and volatile market conditions. In such circumstances, leverage will not exceed the ratio of 2.5:1 using the commitment methodology and 2.5:1 using the gross methodology.

BlackRock UK Managed Volatility Fund III

The Fund is a sub-fund of BlackRock Non-UCITS Retail Funds, a non-UCITS retail scheme under the COLL Sourcebook. The Fund was established on 14 October 2013 and was authorised by the FCA on 27 September 2013. The Fund's FCA product reference number is 637737.

Investment Objective and Policy

The aim of the Fund is to manage the volatility of its portfolio at or around 9% and to seek a total return. The volatility management strategy will have a direct impact on the Fund's returns which may be limited by this strategy. The Fund's aim is to maintain the volatility of the Fund within an 8% lower and 10% upper tolerance band where the measure of volatility is the annualised, equal-weighted volatility of the daily portfolio returns over the previous 120 Business Days.

The Fund aims to gain investment exposure primarily to UK companies quoted on the UK equity markets and to UK fixed income securities (including UK gilts and corporate bonds).

In order to achieve its objective, the Fund invests primarily in units of collective investment schemes and derivatives which provide exposure to the above asset classes. At any time, a substantial amount, or even all of the Fund's assets may be held as cash to assist in achieving the Fund's objective.

The Fund may also invest directly in transferable securities (equity securities and fixed income securities), money-market instruments and deposits, cash and near cash. Derivatives and forward transactions will be used for the purposes of efficient portfolio management.

There is no guarantee that the Fund will achieve its objective of managing volatility at or around 9%, or that it will be managed at all times within the intended 8% lower and 10% upper tolerance band.

Additional Information

Management of volatility	The aim of the Fund will be to manage volatility within the tolerances set out above.
Type of units	Class C Accumulation (Class X units and Class C Income units available to launch at the Manager's discretion)
Dealings	Normally daily between 8.30 a.m. and 5.30 p.m.
Deal Cut-Off Point	11.00 am
Valuation Point	12.00 noon
Minimum Investment	
Class C units	Initially £50,000,000 Thereafter £100
+Minimum withdrawal	£250
***Current Charges:**	
Class C units	Preliminary charge: 7% Annual management charge: 0.20%
Annual Accounting Date	the last day of February each year
Annual Income Allocation Date	30 April
Half Yearly Accounting Date	31 August
Half Yearly Income Allocation Date**	31 October

The first Annual Accounting Date will be 28 February 2014 and the first annual short report will be published on, or shortly after, 21 May 2014.

Thereafter, the annual short reports will be published on, or shortly after, the 21 May each year and half-yearly short reports on, or shortly after, the 31 October each year.

+ Further details are given in section 17 titled "Minimum Investment and Minimum Holdings" in this Prospectus.

* Further details are given in section 28 titled "Charges" in this Prospectus

Leverage

Types and sources of leverage and circumstances in which leverage may be used

The Fund may incur leverage (whether through borrowing of cash or securities, or embedded in derivative positions) in the circumstances, and subject to the provisions, which are set out in Appendix 3.

Leverage as required to be calculated by the AIFMD

Pursuant to its regulatory obligations, the Manager is required to express the level which the Fund's leverage will not exceed. For the purposes of this disclosure, leverage is any method by which the Fund's exposure is increased beyond its holding of securities and cash. A fund's exposure may be increased by using derivatives, by reinvesting cash borrowings, through securities lending or securities borrowing arrangements, or by such other means as may be permitted to be used pursuant to that fund's investment objectives and strategy (such increase referred to herein as the "**Incremental Exposure**"). The AIFMD prescribes two methodologies for calculating overall exposure of a fund: the "gross methodology" and the "commitment methodology". These methodologies are briefly summarised below but are set out in full detail in the AIFMD.

The commitment methodology takes account of the hedging and netting arrangements employed by a fund at any given time (purchased and sold derivative positions will be netted where both relate strictly to the same underlying asset). This calculation of exposure includes all Incremental Exposure as well as the fund's own physical holdings and cash. By contrast, the gross methodology does not take account of the netting or hedging arrangements employed by a fund. This calculation of exposure under the gross methodology includes all Incremental Exposure as well as the fund's own physical holdings, excluding cash.

The AIFMD requires that each leverage ratio be expressed as the ratio between a fund's total exposure (including securities and cash) and its net asset value, see section 24 for examples of leverage ratio breakdown. Using the methodologies prescribed under the AIFMD, the Fund is generally expected to be leveraged at the ratio of 1.5:1 using the commitment methodology and 1.3:1 using the gross methodology. The Fund may, however, have higher levels of leverage, including in atypical and volatile market conditions. In such circumstances, leverage will not exceed the ratio of 2.5:1 using the commitment methodology and 2.5:1 using the gross methodology.

APPENDIX 2

BLACKROCK FUND MANAGERS LIMITED - OTHER AUTHORISED SCHEMES

Name	Regulatory Status
BlackRock Aquila Emerging Markets Fund	UCITS Scheme
BlackRock Authorised Contractual Scheme	UCITS Scheme
BlackRock Absolute Return Bond Fund	UCITS Scheme
BlackRock Asia Fund	UCITS Scheme
BlackRock Asia Special Situations Fund	UCITS Scheme
BlackRock Balanced Growth Portfolio Fund	UCITS Scheme
BlackRock Cash Fund	UCITS Scheme
BlackRock Collective Investment Funds	UCITS Scheme
BlackRock Continental European Fund	UCITS Scheme
BlackRock Continental European Income Fund	UCITS Scheme
BlackRock Corporate Bond Fund	UCITS Scheme
BlackRock Dynamic Allocation Fund	UCITS Scheme
BlackRock Dynamic Diversified Growth Fund	UCITS Scheme
BlackRock Emerging Markets Fund	UCITS Scheme
BlackRock European Absolute Alpha Fund	UCITS Scheme
BlackRock European Dynamic Fund	UCITS Scheme
BlackRock Fixed Income Global Opportunities Fund	UCITS Scheme
BlackRock Global Equity Fund	UCITS Scheme
BlackRock Global Income Fund	UCITS Scheme
BlackRock Global Multi Asset Income Fund	UCITS Scheme
BlackRock Gold and General Fund	UCITS Scheme
BlackRock Growth and Recovery Fund	UCITS Scheme
BlackRock Institutional Bond Funds	UCITS Scheme
BlackRock Institutional Equity Funds	UCITS Scheme
BlackRock International Equity Fund*	UCITS Scheme
BlackRock Investment Funds	UCITS Scheme
BlackRock LBG DC “A” Fund	UCITS Scheme
BlackRock Overseas Fund*	UCITS Scheme
BlackRock Market Advantage Fund	UCITS Scheme
BlackRock Natural Resources Growth & Income Fund	UCITS Scheme
BlackRock Non-UCITS Retail Scheme	Non-UCITS Retail Scheme
BlackRock Systematic Continental European Fund	UCITS Scheme
BlackRock UK Absolute Alpha Fund	UCITS Scheme
BlackRock UK Dynamic Fund*	UCITS Scheme
BlackRock UK Equity Fund	UCITS Scheme
BlackRock UK Focus Fund	UCITS Scheme
BlackRock UK Fund	UCITS Scheme
BlackRock UK Income Fund	UCITS Scheme
BlackRock UK Smaller Companies Fund	UCITS Scheme
BlackRock UK Special Situations Fund	UCITS Scheme
BlackRock UK Specialist Fund	UCITS Scheme
BlackRock US Dynamic Fund	UCITS Scheme

BlackRock US Opportunities Fund	UCITS Scheme

APPENDIX 3

INVESTMENT RESTRICTIONS APPLICABLE TO THE FUNDS

1. **Investment and Borrowing Powers**

1.1 The property of each Fund will be invested with the aim of achieving the investment objective of each Fund set out in Appendix 1 but subject to the limits set out in Chapter 5 of the COLL Sourcebook. The Manager will ensure that, taking into account of the investment objectives and policies of the Funds, it aims to provide a prudent spread of risk. The rules in COLL 5.6 relating to the spread of investments will not apply until 12 months after the later of (a) the date when the authorisation order in respect of the Funds takes effect; and (b) the date the initial offer commenced provided that the Manager ensures that each Fund aims to provide a prudent spread of risk.

1.2 The Manager uses a risk management process, as reviewed by the Trustee, enabling it to monitor and measure as frequently as appropriate the risk of a Fund's portfolio and contribution of the underlying investments to the overall risk profile of the Fund. The details of the risk management process must be notified by the Manager to the FCA in advance and should include the following information:

(a) the types of investments to be used within the relevant Fund together with their underlying risks and any relevant quantitative limits;

(b) the methods for estimating risks in the portfolio to ensure these are adequately captured; and

(c) the risks relating to the Fund's other investments are adequately captured.

The Manager must notify the FCA in advance of any material alteration to the details above.

2. **Eligible Assets**

Subject to the investment objective and policy of each Fund, the property of a Fund, must only, except where otherwise provided in COLL 5, consist of any one or more of:

(a) transferable securities;

(b) money-market instruments;

(c) units or shares in permitted collective investment schemes;

(d) permitted derivatives and forward transactions;

(e) permitted deposits

(f) permitted immovables (it is not intended that the Funds will have an interest in any immovable or tangible movable property); and

(g) gold up to a limit of 10 % of the property of the Fund (it is not intended that the Funds will invest in gold).

The following restrictions under the COLL Sourcebook and (where relevant) determined by the Manager currently apply to each of the Funds:

3. **Transferable Securities and Approved Money-Market Instruments**

3.1 The investments of each Fund shall consist of one or more of the following:

(a) Transferable securities and approved money-market instruments admitted to or dealt in a regulated market (as defined by the FCA).

(b) Transferable securities and approved money-market instruments dealt in on other markets in Member States of the EEA, that are operating regularly, are recognised and are open to the public.

(c) Transferable securities and approved money-market instruments admitted to official listings on or dealt in on other eligible markets.

(d) Recently issued Transferable Securities provided that the terms of issue include an undertaking that application will be made to be admitted to an eligible market and such admission is secured within a year of issue.

3.2 A Transferable Security is eligible for investment if it meets the following criteria:

(a) The potential loss that a Fund may incur by holding the security is limited to the amount paid for it;

(b) Its liquidity does not compromise the Manager's ability to redeem units;

(c) Reliable and regular valuation is available to the market and the Manager;

(d) Appropriate information about the transferable security is available to the market and the Manager;

(e) The transferable security is a negotiable instrument; and

(f) Its risks are adequately captured by the risk management process of the Manager.

3.3 Approved Money-Market instruments are those normally dealt in on the money-market, are liquid and have a value which can be accurately determined at any time, and with the exception of those dealt in on an eligible market, appropriate information is available to the market and the Manager.

3.4 Approved Money-Market instruments other than those listed on or normally dealt on an eligible market are eligible if the issue or issuer of such approved money-market instruments is itself regulated for the purpose of protecting investors and savings, and provided they are issued or guaranteed by a central, regional or local authority, a central bank of an EEA State, the European Central Bank, the European Union or the European Investment Bank, a non-EEA State or, in the case of a federal state, by one of the members making up the federation, or by a public international body to which one or more EEA States belong; or issued by a body, any securities of which are dealt in on an eligible market; or issued or guaranteed by an establishment subject to prudential supervision in accordance with criteria defined by Community law or by an establishment which is subject to and complies with prudential rules considered by the FCA to be at least as stringent as those laid down by Community law.

3.5 A Fund may invest no more than 20 % of its scheme property in transferable securities which are not approved securities (aggregated with the value of the scheme property which can be invested in unregulated collective investment schemes) or money-market instruments which are liquid and have a value which can be determined accurately at any time

4. **Eligible Markets**

A market is eligible for the purposes of the rules if it is a regulated market, or a market in an EEA State which is regulated, operates regularly and is open to the public.

A market not falling within the above definition is eligible if the Manager, after consultation and notification with the Trustee, decides that market is appropriate for the investment of, or dealing in, the property, the market is included in a list in the prospectus, and the Trustee has taken reasonable care to determine that adequate custody arrangements can be provided for the investment dealt in on that market, and all reasonable steps have been taken by the Manager in deciding whether that market is eligible.

A market must not be considered appropriate unless it is regulated, operates regularly, is recognised, is open to the public, is adequately liquid and has adequate arrangements for unimpeded transmission of income and capital to or for the order of investors. Unless information is available to the Manager that would lead to a different determination, a transferable security which is admitted or dealt on an eligible market shall be presumed not to compromise the ability of the Manager to be able to redeem units and to be considered a negotiable instrument. The list of eligible securities and derivatives markets for the Funds is set out in Schedule 1 and Schedule 2 to this Prospectus.

5. **Collective Investment Schemes**

5.1 A Fund may invest up to 100 % of its scheme property in units or shares in other collective investment schemes (the "Second Scheme") provided the Second Scheme;-

(a) satisfies the conditions necessary for it to enjoy the rights conferred by the UCITS Directive; or

(b) is authorised as a non-UCITS retail scheme; or

(c) is recognised under the provisions of section 264 of the Financial Services and Markets Act 2000 (the "Act") (Schemes constituted in other EEA States) or section 270 of the Act (Schemes authorised in designated countries or territories) or section 272 of the Act (Individually recognised overseas schemes); or

(d) is constituted outside the United Kingdom and the investment and borrowing powers of which are the same or more restrictive than those of a non-UCITS retail scheme; or

(e) does not fall within (a) to (d) and in respect of which no more than 20 % of the scheme property (including any transferable securities which are not approved securities) is invested.

5.2 The Second Scheme must be a scheme which operates on the principle of the prudent spread of risk;

5.3 The Second Scheme must be prohibited from having more than 15 % in value of the property of that scheme consisting of units or shares in collective investment schemes;

5.4 The participants in the Second Scheme must be entitled to have their units or shares redeemed in accordance with the scheme at a price related to the net asset value of the property to which the units or shares relate and determined in accordance with the scheme;

5.5 Where the Second Scheme is an umbrella, the provisions in paragraphs 5.1 to 5.4 apply to each sub-fund of the umbrella as if it were a separate scheme.

5.6 Each Fund may invest up to 100 % of its scheme property in the units of UCITS and/or other collective investment schemes that are managed by the Manager or by an associate (as defined by the FCA) in which case no subscription or redemption fees may be charged to the Funds on their investment in the units of such UCITS and/or other collective investment scheme in accordance with the rules in the COLL Sourcebook. In addition, the Manager shall normally invest in the units of UCITS and/or other collective investment schemes that are managed by the Manager or by an associate on the basis that either no annual management charge will be charged to the Funds or a full retrocession of the annual management charge shall be returned to the Funds.

6. **Deposits, Cash and Near Cash**

6.1 A Fund may invest in deposits only with an approved bank (as defined by the FCA) which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months.

6.2 The investment objective and policy of each Fund may mean that at times it is appropriate not to be fully invested but to hold cash or near cash for reasons other than for the purpose of meeting a Fund's investment objective (where applicable). Cash and near cash must not be retained in the property except to the extent that, where this may reasonably be regarded as necessary in order to enable:

(a) redemption of units; or

(b) efficient management of the Fund in accordance with its investment objectives; or

(c) other purposes which may reasonably be regarded as ancillary to the investment objectives of the Fund; or

(d) pursuit of the Fund's investment objectives.

6.3 During any initial offer period, the property of the Fund may consist of cash and near cash without limitation.

7. **Warrants**

Where a Fund invests in warrants, the Manager must ensure that upon exercising the right conferred by the warrant the exposure created does not exceed the general limits on spread of investments set out below. No more than 5 % of any Fund will be invested in warrants.

8. **Nil and Partly Paid Securities**

In respect of nil and partly paid securities a transferable security or approved money-market instrument on which any sum is unpaid falls within a power of investment only if it is reasonably foreseeable that the amount of any existing and potential call for any sum unpaid could be paid by the Funds, at the time when payment is required, without contravening the rules in COLL 5.

9. **General - Derivatives and Forward Transactions**

9.1 The Funds may use derivatives to hedge market and currency risk for the purposes of efficient portfolio management (as described in paragraph 9.2) and in pursuit of the Funds' investment objectives.

The use of derivatives for the purpose of hedging and managing risk and for efficient portfolio management is not intended to increase the risk profile of the Funds. The Manager uses a risk management process, to monitor and measure as frequently as appropriate the risk of a Fund's portfolio and contribution of the underlying investments to the overall risk profile of the Fund.

However, the use of derivatives may expose the Funds 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 size of the contract, so that transactions are geared, as described in paragraph 10.8. A relatively small market movement may have a potentially larger impact on derivatives than in standard bonds or equities.

The use of derivatives in pursuit of the investment objectives of the Funds may alter the risk profile of the Funds and lead to higher volatility in the unit price of the Funds.

9.2 Where such techniques and instruments relate to the use of derivatives which are used for the purpose of efficient portfolio management, they will only be used in accordance with the following criteria:

(a) They are economically appropriate in that they are realised in a cost effective way.

(b) They are entered into for one or more of the following specific aims:

- reduction of risk;
- reduction of costs; or
- generation of additional capital or income for the Fund with a level of risk which is consistent with the risk profile of the Fund.

(c) Their risks are adequately captured by the Manager's risk management process.

9.3 The Manager uses a risk management process, as reviewed by the Trustee, enabling it to monitor and measure as frequently as appropriate the risk of a Fund's positions and their contribution to the overall risk profile of that Fund. The details of the risk management process include the information as set out in paragraphs 1.2 and 10.9 of this Appendix 3.

10. **Derivatives General**

10.1 A transaction in derivatives or a forward transaction must not be effected for a Fund unless the transaction is of a kind set out in section 12 of this Appendix 3, and the transaction is covered, as set out in paragraphs 11.1 to 11.3 of this Appendix 3.

10.2 Where a Fund invests in derivatives, the exposure to the underlying assets must not exceed the limits set out in the COLL Sourcebook in relation to spread except for index based derivatives where the rules below apply.

10.3 Where a transferable security or approved money-market instrument embeds a derivative, this must be taken into account for the purposes of complying with this section 10.

10.4 A transferable security or an approved money-market instrument will embed a derivative if it contains a component which fulfils the following criteria:

(a) by virtue of that component some or all of the cash flows that otherwise would be required by the transferable security or approved money-market instrument which functions as host contract can be modified according to a specified interest rate, financial instrument price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, and therefore vary in a way similar to a stand-alone derivative;

(b) its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract; and

(c) it has a significant impact on the risk profile and pricing of the transferable security or approved money-market instrument.

10.5 A transferable security or an approved money-market instrument does not embed a derivative where it contains a component which is contractually transferable independently of the transferable security or the approved money-market instrument. That component shall be deemed to be a separate instrument

10.6 Where a Fund invests in an index based derivative, provided the relevant index falls within COLL 5.6.23R (Schemes Replicating an index) the underlying constituents of the index do not have to be taken into account for the purposes of COLL 5.6.7R and COLL 5.6.8R.

10.7 The relaxation of 9.6 is subject to the Manager taking account of COLL 5.6.3 (Prudent spread of risk).

10.8 Where derivative instruments are used, the overall risk profile of a Fund may be increased. The Manager will ensure that the global exposure generated by using financial derivative instruments on the underlying assets of that Fund shall not exceed the total net value of the Fund.

10.9 Accordingly, where derivative instruments are used, the Manager will employ a risk-management process which enables the Manager to monitor and measure at any time the risk of the positions and their contribution to the overall risk profile of the relevant Fund. The Manager applies a Value at Risk (VAR) approach to calculate each Fund's global exposure and to ensure it complies with the investment objectives and policies set out in Appendix 1.

11. Cover for transactions in derivatives and forward transactions

11.1 The Manager will ensure that a transaction in derivatives or forwards is entered into only if the related global exposure does not exceed the total net value of a Fund.

11.2 The global exposure is calculated taking into account the current value of the underlying assets, the counterparty risk, future market movements and the time available to liquidate the positions.

11.3 Property which is subject to a stock lending transaction (as described in section 19 of this Appendix 3) is only available for cover if the Manager has taken reasonable care to determine that it is obtainable (by return or re-acquisition) in time to meet the obligation for which cover is required.

12. Permitted Transactions in Derivatives and Forwards

12.1 A transaction in a derivative must be:

(a) in an approved derivative; or

(b) be one which complies with section 22 of this Appendix 3.

12.2 A transaction in a derivative must have the underlying consisting of any one or more of the following to which a Fund is dedicated:

(a) transferable securities;

(b) money-market instruments;

(c) deposits;

(d) permitted derivatives under this paragraph 12.2;

(e) collective investment scheme units permitted under section 5 of this Appendix 3;

(f) permitted immovables;

(g) gold;

(h) financial indices which satisfy the criteria set out below;

(i) interest rates;

(j) foreign exchange rates; and

(k) currencies.

12.3 The exposure to the underlyings in paragraph 12.2 of this Appendix 3 must not exceed the limits relating to spread set out in the COLL Sourcebook.

12.4 A transaction in an approved derivative must be effected on or under the rules of an eligible derivatives market.

12.5 A transaction in a derivative must not cause a Fund to diverge from its investment objectives as stated in the Trust Deed and the most recently published version.

12.6 A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of transferable securities, money-market instruments, units in collective investment schemes, or derivatives, provided that a sale is not to be considered as uncovered if the conditions in paragraph 14.2 of this Appendix 3 are satisfied.

12.7 Any forward transaction must be with an Eligible Institution or an Approved Bank.

12.8 All derivatives transactions are deemed to be free of counterparty risk if they are performed on an exchange where the clearing house is backed by an appropriate performance guarantee; and it is characterised by a daily mark-to-market valuation of the derivative positions and at least daily margining.

13. Transactions for the purchase of property

A derivative or forward transaction which will or could lead to the delivery of property for the account of a Fund may be entered into only if that property can be held for the account of a Fund, and the Manager having taken reasonable care determines that delivery of the property under the transaction will not occur or will not lead to a breach of the rules in the COLL Sourcebook.

14. Requirement to cover sales

14.1 A transaction in a derivative must not be entered into if the intended effect is to create the potential for an uncovered sale of one or more, transferable securities, approved money-market instruments, units in collective investment schemes, or derivatives.

14.2 A sale is not to be considered as uncovered if:

(a) the risks of the underlying financial instrument of a derivative can be appropriately represented by another financial instrument and the underlying financial instrument is highly liquid; or

(b) the Manager or the Trustee has the right to settle the derivative in cash, and cover exists within the scheme property which falls within one of the following asset classes:

- cash;

liquid debt instruments (e.g. government bonds of first credit rating) with appropriate safeguards (in particular, haircuts); or

- other highly liquid assets having regard to their correlation with the underlying of the financial derivative instruments, subject to appropriate safeguards (e.g. haircuts where relevant).

14.3 In the asset classes referred to in paragraph 14.2 of this Appendix 3 are satisfied, an asset may be considered as liquid where the instrument can be converted into cash in no more than seven Business Days at a price closely corresponding to the current valuation of the financial instrument on its own market.

15. Financial indices underlying derivatives

15.1 Where a Fund holds an index-based derivative, the financial index must satisfy the following criteria:

- the index is sufficiently diversified
- the index represents an adequate benchmark for the market to which it refers; and
- the index is published in an appropriate manner.

15.2 A financial index is sufficiently diversified if:

- it is composed in such a way that price movements or trading activities regarding one component do not unduly influence the performance of the whole index;
- where it is composed of assets in which a Fund is permitted to invest, its composition is at least diversified in accordance with the requirements with respect to spread and concentration set out in this section 15; and
- where it is composed of assets in which a Fund cannot invest, it is diversified in a way which is equivalent to the diversification achieved by the requirements with respect to spread and concentration set out in this section 15.

15.3 A financial index represents an adequate benchmark for the market to which it refers if:

- it measures the performance of a representative group of underlyings in a relevant and appropriate way;
- it is revised or rebalanced periodically to ensure that it continues to reflect the markets to which it refers, following criteria which are publicly available; and
- the underlyings are sufficiently liquid, allowing users to replicate it if necessary.

15.4 A financial index is published in an appropriate manner if:

- its publication process relies on sound procedures to collect prices, and calculate and subsequently publish the index value, including pricing procedures for components where a market price is not available; and
- material information on matters such as index calculation, rebalancing methodologies, index changes or any

operational difficulties in providing timely or accurate information is provided on a wide and timely basis.

15.5 Where the composition of underlyings of a transaction in a derivative does not satisfy the requirements for a financial index, the underlyings for that transaction shall where they satisfy the requirements with respect to other underlyings pursuant to paragraph 12.2 of this Appendix 3, be regarded as a combination of those underlyings.

15.6 Property which is subject to a stocklending transaction (as described in section 19 of this Appendix 3) is only available for cover if the Manager has taken reasonable care to determine that it is obtainable (by return or reacquisition) in time to meet the obligation for which cover is required.

16. Spread Limits

16.1 This rule on spread does not apply to government and public securities.

16.2 Not more than 20% in value of the scheme property of a Fund is to consist of deposits with a single body.

16.3 Not more than 10% in value of the scheme property of a Fund is to consist of transferable securities or money-market instruments issued by any single body subject to COLL 5.6.23R (Schemes replicating an index).

16.4 The limit of 10% in paragraph 16.3 of this Appendix 3 is raised to 25% in value of the scheme property of the Fund in respect of covered bonds.

16.5 In applying paragraph 16.3 of this Appendix 3, certificates representing certain securities are to be treated as equivalent to the underlying security.

16.6 Not more than 35% in value of the scheme property of a Fund is to consist of the units or shares of any one collective investment scheme.

16.7 The exposure to any one counterparty in an OTC derivative transaction must not exceed 10% in value of the scheme property of a Fund.

16.8 For the purpose of calculating the limit in paragraph 16.7 of this Appendix 3, the exposure in respect of an OTC derivative may be reduced to the extent that collateral is held in respect of it if the collateral meets each of the following conditions:

(a) it is marked-to-market on a daily basis and exceeds the value of the amount at risk;

(b) it is exposed only to negligible risks (e.g. government bonds of first credit rating or cash) and is liquid;

(c) it is held by a third party custodian not related to the provider or is legally secured from the consequences of a failure of a related party; and

(d) can be fully enforced by a Fund at any time.

16.9 For the purposes of calculating the limits in paragraph 16.7 of this Appendix 3. OTC derivative positions with the same counterparty may be netted provided that the netting procedures:

(a) comply with the conditions set out in Section 3 (Contractual netting (Contracts for novation and other netting agreements)) of Annex III to the Banking Consolidation Directive; and

(b) are based on legally binding agreements.

16.10 In applying this paragraph (Spread: general), all derivatives transactions are deemed to be free of counterparty risk if they are performed on an exchange where the clearing house meets each of the following conditions:

(a) it is backed by an appropriate performance guarantee; and

(b) it is characterised by a daily mark-to-market valuation of the derivative positions and at least daily margining.

17. Spread: Government and Public Securities

17.1 The following section applies to government and public securities ("such securities").

17.2 Where no more than 35% in value of the scheme property of a Fund is invested in such securities issued by any one body, there is no limit on the amount which may be invested in such securities or in any one issue.

17.3 A Fund may invest more than 35 % in value of the scheme property in such securities issued by any one body provided that:

(a) the Manager has before any such investment is made consulted with the Trustee and as a result considers that the issuer of such securities is one which is appropriate in accordance with the investment objective of a Fund;

(b) no more than 30% in value of the scheme property consists of such securities of any one issue; and

(c) the scheme property of a Fund includes such securities issued by that or another issuer, of at least six different issues.

The issuer or guarantors for the purpose of the above limits are as follows:

(a) the Government of the United Kingdom (including the Scottish Administration, the Executive Committee of the Northern

Ireland Assembly and the National Assembly of Wales);

(b) the Government of any EEA State including the Governments of Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden;

(c) the Governments of Australia, Canada, Japan, New Zealand, and the United States of America;

(d) The World Bank, The Inter-American Development Bank, The European Investment Bank and The European Bank for Reconstruction and Development.

18. **Borrowing**

18.1 The Trustee (on the instructions of the Manager) may, in accordance with this section 18, borrow money for the use of the Funds on terms that the borrowing is to be repayable out of the scheme property. This power to borrow is subject to the obligation of the Funds to comply with any restriction in its Trust Deed. The Trustee may borrow only from an eligible institution or an approved bank.

18.2 The Manager must ensure a Fund's borrowing does not, on any Business Day, exceed 10 % of the value of the scheme property of the Fund.

18.3 None of the money in the scheme property of the Fund may be lent and, for the purposes of this prohibition, money is lent by the Fund if it is paid to a person ("the payee") on the basis that it should be repaid, whether or not by the payee. Acquiring a debenture is not lending; nor is the placing of money on deposit or in a current account.

18.4 The scheme property of the Funds other than money must not be lent by way of deposit or otherwise except for the purposes of stock lending as described below.

18.5 Transactions permitted for the purposes of stock lending are not lending for these purposes.

18.6 Nothing in these restrictions prevent the Trustee at the request of the Manager, from lending, depositing, pledging or charging property for margin requirements where transactions in derivatives or forward transactions are used for the account of the Fund in accordance with any other of the rules in COLL 5.

18.7 A Fund may not grant credit facilities nor act as guarantor on behalf of third parties, provided that for the purpose of this restriction (i) the acquisition of transferable securities, approved money-market instruments or other financial investments above, in fully or partly paid form and (ii) the permitted lending of portfolio securities shall be deemed not to constitute the making of a loan.

19. **Stock lending**

19.1 Stock lending transactions or repo contracts may be entered into when it reasonably appears to the Manager to be appropriate to do so with a view to generating additional income for the Funds with an acceptable degree of risk.

The Trustee at the request of the Manager may enter into a stock lending arrangement or repo contract of the kind described in section 263B of the Taxation of Chargeable Gains Act 1992 (without extension by section 263C), but only if all the terms of the agreement under which securities are to be reacquired by the Trustee for the account of the Funds, are in a form which is acceptable to the Trustee and are in accordance with good market practice, the counterparty meets the criteria set out in COLL 5.4.4 and collateral is obtained to secure the obligation of the counterparty. Collateral must be acceptable to the Trustee, adequate and sufficiently immediate.

The Trustee must ensure that the value of the collateral at all times is at least equal to the value of the securities transferred by the Trustee. This duty may be regarded as satisfied in respect of collateral the validity of which is about to expire or has expired where the Trustee takes reasonable care to determine that sufficient collateral will again be transferred at the latest by the close of business on the day of expiry.

Where a Fund enters into arrangements through which collateral is reinvested, this should be taken into account for the purposes of measuring a Fund's global exposure under paragraph 10.8 of this Appendix 3.

19.2 Collateral is adequate for the purposes of stock lending only if it is:

(a) transferred to the Trustee or its agent;

(b) at least equal in value, at the time of the transfer to the Trustee, to the value of the securities transferred by the Trustee; and

(c) in the form of one or more of:

(i) cash; or

(ii) a certificate of deposit; or

(iii) a letter of credit; or

(iv) a readily realisable security; or

(v) commercial paper with no embedded derivative content; or

(vi) a qualifying money-market fund.

Where the collateral is invested in units or shares of a qualifying money-market fund managed or operated by the Manager or an associate of the Manager, the conditions of paragraph 5.4 of this Appendix 3 must be complied with. Any

agreement for transfer at a future date of securities or of collateral (or of the equivalent of either) may be regarded, for the purposes of valuation, as an unconditional agreement for the sale or transfer of property, whether or not the property is part of the property of the Funds.

Each day, the collateral held in respect of each repo contract or stock lending transaction is marked to market and revalued. Where due to market movements the value of collateral is less than the value of the securities subject to the repo contract or stock lending transaction, the Trustee is entitled to call for additional collateral from the counterparty such that the value of the collateral and margin requirements is maintained.

In the event there is a decline in the value of the collateral which exceeds the value of the margin held by the Trustee, a counterparty credit risk will arise pending delivery of the additional collateral. In the normal course of events, additional collateral is delivered the following Business Day.

There is no limit on the value of the property which may be the subject of repo contracts or stock lending transactions. Collateral transferred to the Trustee is part of a Fund's property for the purpose of the COLL Rules except in the following respects:

(a) it does not fall to be included in any valuation for the purposes of COLL 6.3 or this Appendix 3, because it is offset by an obligation to transfer at a future date (as set out above); and

(b) it does not comprise the Fund's property for the purpose of any investment and borrowing powers set out in this Appendix 3 except for the purpose of this section 19.

20. General power to accept or underwrite placings

Any power in the COLL Sourcebook to invest in transferable securities may be used for the purpose of entering into any agreement or understanding: which is an underwriting or sub-underwriting agreement, or which contemplates that securities will or may be issued or subscribed for or acquired for the account of a Fund.

This ability does not apply to an option, or a purchase of a transferable security which confers a right to subscribe for or acquire a transferable security, or to convert one transferable security into another.

The exposure of the Fund to agreements and understandings as set out above, on any business day be covered and be such that, if all possible obligations arising under them had immediately to be met in full, there would be no breach of any of the investment limits set out elsewhere in this section 20.

21. Guarantees and indemnities

The Trustee for the account of the Fund must not provide any guarantee or indemnity in respect of the obligation of any person.

None of the property of the Fund may be used to discharge any obligation arising under a guarantee or indemnity with respect to the obligation of any person.

These requirements do not apply to any indemnity or guarantee given for margin requirements where the derivatives or forward transactions are being used in accordance with the requirements set out in this section 21.

22. Over-the-Counter ("OTC") transactions in derivatives

The Manager's delegates will continuously assess the credit or counterparty risk as well as the potential risk, which is for trading activities, the risk resulting from adverse movements in the level of volatility of market prices and will assess the hedging effectiveness on an ongoing basis. They will define specific internal limits applicable to these kinds of operations and monitor the counterparties accepted for these transactions.

Any transaction in an OTC derivative must be:

(a) with an approved counterparty; a counterparty to a transaction in derivatives is approved only if the counterparty is an eligible institution or an approved bank; or a person whose permission (including any requirements or limitations), as published in the FCA Register or whose home state authorisation, permits it to enter into the transaction as principal off-exchange;

(b) on approved terms; the terms of the transaction in derivatives are approved only if, the Manager carries out at least daily a reliable and verifiable valuation in respect of that transaction corresponding to its fair value and which does not rely on market quotations by the counterparty, and the Manager can enter into one or more further transactions to sell, liquidate or close out that transaction at any time, at its fair value;

(c) capable of reliable valuation; a transaction in derivatives is capable of reliable valuation only if the Manager having taken reasonable care determines that, throughout the life of the derivative (if the transaction is entered into), it will be able to value the investment concerned with reasonable accuracy: on the basis of an up-to-date market value which the

Manager and the Trustee have agreed is reliable, or, if the value referred to above is not available, on the basis of a pricing model which the Manager and Trustee have agreed uses an adequate recognised methodology; and

(d) subject to verifiable valuation; a transaction in derivatives is subject to verifiable valuation only if throughout the life of the derivative verification of valuation is carried out by an independent third party distinct from the counterparty on a regular basis and in such a way that the Manager is able to check or by an independent division of the Manager separate from the division managing the particular Fund's assets.

APPENDIX 4

VALUATION AND PRICING

1. Determination of Net Asset Value

The value of the scheme property of a Fund shall be determined in accordance with the following provisions.

(a) All the scheme capital and income property (including receivables) is to be included, subject to the following provisions.

(b) The valuation shall be prepared on an *issue* basis and on a *cancellation basis* in accordance with section 14.

(c) The valuation of the scheme property of the Fund which is not cash or a contingent liability transaction shall be valued using the most recent prices which it is practicable to obtain:

(i) units or shares in a collective investment scheme:

- if separate buying and selling prices are quoted, at the most recent maximum sale price reduced by any expected discount plus any dealing costs (*issue basis*) [1] or the most recent minimum redemption price less any dealing costs (*cancellation basis*) [2].
- if a single price for buying and selling units or shares is quoted, at that price (plus any dealing costs when valuing on an *issue basis*[5] or less any dealing costs when valuing on a *cancellation basis*[6]; or
- if, in the opinion of the Manager, the price obtained is unreliable or no recent traded price is available or if no recent price exists, at a buyer's price which, in the opinion of the Manager, is fair and reasonable (plus any dealing costs when valuing on an *issue basis*[5] or less any dealing costs when valuing on a *cancellation basis*[6]).

(ii) any other investment:

- the best available market dealing offer price (issue basis) or the most current dealing bid price (cancellation basis) on the most appropriate market in a standard size plus *dealing costs*[3]; or
- the last traded price of the market; or
- at the price which would be paid by a buyer (*issue basis)* or received by a seller (*cancellation basis)* for an immediate transfer or assignment (or, in Scotland, assignation) to him at arm's length;

together with the Manager's reasonable estimate in respect of *dealing costs*[7], which may be accounted for separately within the valuation.

(iii) property valued other than as described in 1(c)(i) or 1(c)(ii) above if no recent price(s) exist or in the opinion of the Manager the price obtained is unreliable, then by some other reliable means, which may be based on the Manager's reasonable estimate or calculated by some other means deemed by the Manager and Trustee to be appropriate (together with the Manager's reasonable estimate in respect of *dealing costs*[7] which may be accounted for separately within the valuation).

In accordance with section 14 the Manager may at its discretion implement fair value pricing policies in respect of the Fund.

(d) Cash and amounts held in current and deposit accounts and in other time-related deposits shall be valued at their nominal values.

(e) Property which is a derivative constituting a contingent liability transaction shall be treated as follows:

(i) if a written option (and the premium for writing the option has become part of the scheme property) include an amount equivalent to the value net of premium on closing out the contract (whether as a positive or negative value). On expiry, where the contract remains unexercised and is "out-of-the-money", no value will be attributable to the contract, other than by way of the premium received or receivable.

(ii) if a purchased option (and the premium for purchasing the option has been paid from the scheme property) an amount equivalent

1 “Dealing costs" include, where a single price is quoted, any dilution levy. If the Manager is also the manager or an associate of the manager of the relevant underlying collective investment scheme, in the case of valuing on an issue basis, dealing costs do not include payment of a preliminary charge on purchase of units in the underlying collective investment scheme.

2 "Dealing costs" include, where a single price is quoted, any dilution levy. If the Manager is also the manager or an associate of the manager of the relevant underlying collective investment scheme, in the case of valuing on a cancellation basis, dealing costs do not include payment of a redemption charge on sales of units in the underlying collective investment scheme.

3 "Dealing costs" include any fiscal charges, commission or other charges payable in the event of the scheme carrying out the transaction in question, assuming that the commission and charges (other than fiscal charges) which would be payable by the scheme are the least that could be reasonably expected to be paid in order to carry out the transaction.

to the value net of premium on closing out the contract (estimated on the basis of writing an option of the same series on the best terms then available on the most appropriate market on which such options are traded.) On expiry, where the contract remains unexercised and is "out-of the money", no value will be attributable to the contract, other than by way of the premium paid or payable.

(iii) if another exchange-traded derivative contract:

- if a single price for buying and selling the exchange-traded derivative contract is quoted, at that price; or
- if separate buying and selling prices are quoted, at the average of the two prices.

(iv) if an off-exchange future or contract for differences ("OTC derivatives") or forward foreign exchange contract, include at the net value of closing out the contract (estimated on the basis of the amount of profit or loss receivable or payable by the Fund on closing out the contract in accordance with the valuation methods in COLL 5.2.23R.)

(f) In determining the value of the scheme property, all instructions given to the Trustee to issue or cancel units or any outstanding consequential action required in respect of an issue or cancellation of units shall be assumed to have been carried out (and any cash paid or received) whether or not this is the case.

(g) Subject to paragraphs (h) and (i) of this Appendix 4, agreements for the unconditional sale or purchase of property which are in existence but uncompleted shall be assumed to have been completed and all consequential action required to have been taken. Such unconditional agreements need not be taken into account if made shortly before the valuation takes place and, in the opinion of the Manager, their omission shall not materially affect the final net asset amount.

(h) Futures or contracts for differences which are not yet due to be performed and unexpired and unexercised written or purchased options shall not be included under paragraph (g) of this Appendix 4.

(i) All agreements are to be included under paragraph (g) of this Appendix 4, which are, or could reasonably be expected to have been, known to the person valuing the property assuming that all other persons in the Manager's employment take all reasonable steps to inform it immediately of the making of any agreement.

(j) Deductions will be made for any liabilities payable out of the scheme property and any tax thereon, as follows:

(i) liabilities accrued on unrealised capital gains which is payable out of the scheme property

(ii) liabilities accrued on realised capital gains in respect of previously completed and current accounting periods which is payable out of the scheme property

(iii) liabilities accrued in respect of income received or receivable

(iv) liabilities accrued in respect of stamp duty reserve tax or any other fiscal charge not covered under this deduction.

(v) the principal amount of any outstanding borrowings whenever payable and any accrued but unpaid interest on borrowings.

(k) The following items will be added:

(i) any amount in respect of accrued claims for tax of whatever nature which may be recoverable; and

(ii) any other credits or amounts due to be paid into the scheme property;

(iii) any stamp duty reserve tax provision anticipated to be received; and

(iv) sums representing any interest or any income accrued due or deemed to have accrued but not received and any stamp duty reserve tax provision anticipated to be received.

(l) Currencies or values in currencies other than base currency shall be converted at the relevant valuation point at the prevailing rate of exchange on the market on which the Manager would normally deal if it wished to make such a conversion.

2. DETERMINATION OF UNIT PRICE

Prices at which units may be issued or cancelled will be calculated by valuing a Fund's underlying property attributable to the class of units in question (in accordance with section 1 of this Appendix 4) and then dividing the value of that Fund's underlying property by the number of units in issue. It is this computation which determines the maximum issue price and the minimum cancellation price for the units in that Fund.

The Manager will determine the unit price in accordance with the following calculations:

2.1 In order to calculate the maximum issue price, the following shall apply:

(a) take the proportion, attributable to the units in the class in question, of the value of the issue basis of the scheme property by reference to the most recent valuation of the scheme property on an issue basis;

(b) compute the number of units of the relevant class in issue immediately prior to the valuation in (i);

(c) divide the total at (i) by the number of units in (ii); and

(d) express the price in a form that is accurate to at least four significant figures.

This process determines the full cost of creating a unit and results in the maximum price at which unitholders can buy a unit in the Fund (excluding any preliminary charge due to the Manager) in accordance with section 13.

2.2 In order to calculate the minimum cancellation price, the following shall apply:

(a) take the proportion, attributable to the units in the class in question, of the value of the cancellation basis of the scheme property by reference to the most recent valuation of the scheme property on a cancellation basis;

(b) compute the number of units of the relevant class in issue immediately prior to the valuation in (i);

(c) divide the total at (i) by the number of units in (ii); and

(d) express the price in a form that is accurate to at least four significant figures.

This process determines the full cost of cancelling a unit and determines the level at which the minimum 'bid price' can be fixed. This is the minimum price at which unitholders can sell back their units in the Fund. The actual 'bid price' at which unitholders can sell their units will either be the same or higher than the cancellation price.

SCHEDULE 1

ELIGIBLE SECURITIES MARKETS

The following markets shall be eligible securities markets for the BlackRock Non-UCITS Retail Funds subject to investment objective and policy.

1. Europe

Austria	Vienna Stock Exchange (Wiener Boerse)
Belgium	Euronext, Brussels
Croatia	Zagreb Stock Exchange
Czech Republic	Prague Stock Exchange
Denmark	OMX Nordic Exchange Copenhagen
Estonia	Tallinn Stock Exchange
	Estonian CSD
Finland	OMX Nordic Exchange OY
France	Euronext, Paris
Germany	Berlin-Bremen Stock Exchange (Borse Berlin-Bremen)
	Hamburg and Hannover Exchanges (Börsen Hamburg und Hannover)
	Munich Exchange (Börsen München)
	Stuttgart Exchange (Boerse Stuttgart)
	Deutsche Borse, Frankfurt
Greece	Athens Stock Exchange
Hungary	Budapest Stock Exchange
Ireland	Irish Stock Exchange
Israel	Tel Aviv Stock Exchange
Italy	Italian Stock Exchange (Borsa Italiana)
Luxembourg	Luxembourg Stock Exchange (Bourse de Luxembourg)
Norway	Oslo Bors
Poland	Warsaw Stock Exchange
Portugal	Euronext, Lisbon
Spain	Barcelona Stock Exchange (Bolsa de Barcelona)
	Bilbao Stock Exchange (Bolsa de Bilbao)
	Madrid Stock Exchange (Bolsa de Madrid)
	Valencia Stock Exchange (Bolsa de Valencia)
Sweden	OMX Nordic Exchange Stockholm AB
Switzerland	SIX Swiss Exchange

The Netherlands	Euronext, Amsterdam
Turkey	Istanbul Stock Exchange
UK	London Stock Exchange
	AIM
	SWX Europe Ltd

2. Americas

Brazil	BM & F BOVESPA S.A.
Canada	Toronto Stock Exchange
Mexico	Mexican Stock Exchange (Bolsa Mexicana de Valores)
Peru	Lima Stock Exchange (Bolsa de Valores de Lima)
USA	NYSE MKT LLC
	New York Stock Exchange
	NYSE Arca
	NASDAQ OMX PHLX (Philadelphia)
	National Stock Exchange
	NASDAQ OMX BX (Boston)
	Chicago Stock Exchange
	NASDAQ and the Over-the-Counter Markets regulated by the National Association of Securities Dealers Inc.

3. Africa

South Africa	JSE Limited

4. Far East and Australasia

Australia	Australian Securities Exchange
Hong Kong	Hong Kong Exchanges (HKEx)
India	Bombay Stock Exchange National Stock Exchange of India
Indonesia	Indonesia Stock Exchange (Bursa Efek Indonesia)
Japan	Tokyo Stock Exchange
	Osaka Securities Exchange
	Nagoya Stock Exchange
	Sapparo Securities Exchange
	JASDAQ Securities Exchange
Malaysia	Bursa Malaysia BHD

New Zealand	New Zealand Stock Market (NZSX)
Philippines	Philippine Stock Exchange
Singapore	Singapore Exchange (SGX)
Taiwan	Taiwan Stock Exchange
Thailand	Stock Exchange of Thailand
The Republic of Korea	Korea Exchange (KRX)

SCHEDULE 2

ELIGIBLE DERIVATIVE MARKETS

The following markets shall be eligible derivative markets for those unit trusts which use derivatives:

Athens Derivatives Exchange
Australian Securities Exchange
Chicago Board of Trade
Chicago Board Options Exchange
Chicago Mercantile Exchange
EDX London
EUREX
Euronext Brussels
Euronext Amsterdam
Euronext LIFFE
Euronext Paris
Hong Kong Exchanges (HKEx)
ICE Futures Europe
ICE Futures US
Italian Stock Exchange (Borsa Italiana)
Japan Securities Dealers Association (JSDA - Japan OTC Market)
Korea Exchange (KRX)
MEFF Renta Fija
MEFF Renta Variable
Montreal Exchange (Bourse de Montreal)
New York Mercantile Exchange (NYMEX)
Osaka Securities Exchange
Singapore Exchange (SGX)
Tokyo Financial Exchange Inc. (TFX)
Tokyo Stock Exchange
The Turkish Derivatives Exchange
Wiener Bõrse - Austrian Exchange for derivatives