

**SHINING A LIGHT ON THE.....  
BlackRock UK Absolute Alpha Fund**

**AT A GLANCE**

<b>Investment Objective</b>	
<p>The Fund aims to achieve positive absolute returns for investors through a combination of capital growth and income on your investment and, as such, the Fund will not be managed against any United Kingdom (UK) equity index. The Fund will be managed with the aim of delivering absolute (more than zero) returns on a 12-month basis in any market conditions. However, an absolute return is not guaranteed over a 12 month or any period and the Fund may experience periods of negative return. The Fund's capital is at risk. The Fund primarily aims to gain investment exposure to equity securities (e.g. shares) and equity related securities of, or giving exposure to, companies incorporated or listed in the UK. In order to achieve its objective, the Fund invests primarily in derivatives, equity securities and other equity related securities and when determined appropriate fixed income (FI) securities (such as bonds), money market instruments (MMIs), deposits and cash.</p>	

<b>Inception Date</b>	29 April 2005
<b>Fund Factsheet Link</b>	<a href="http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F0GBR05XTB">http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=F0GBR05XTB</a>

<b>Management</b>	
<b>Manager Name</b>	<b>Start Date</b>
Nigel Rudge	28 April 2013
Nicholas Osborne	17 January 2008

<b>Investment Style Details</b>	
<b>Equity Style</b>	
<b>Market Capitalisation</b>	<b>% of Equity</b>
Giant	N/A
Large	N/A
Medium	N/A
Small	N/A
Micro	N/A

<b>Top 10 Holdings</b>		
<b>Total number of holdings</b>	70	
<b>Assets in Top 10 Holdings</b>	37.34%	
<b>Name</b>	<b>Sector</b>	<b>% of Assets</b>
BlackRock ICS Sterling Liq Agency Inc	-	7.13%
Otc Lloyds Banking Gro Gb	-	5.39%
Otc Relx Plc Gbp0.14	-	5.16%
Otc Dolphin Capital I Eur	-	3.53%
Otc British American Gbp	-	3.35%
Otc Tesco Ord Gbp0.05	-	3.23%
Otc Rentokil Initial Ord	-	2.56%
Otc Serco Group Plc Gbp0	-	2.43%
Otc 3i Group Plc Gbp0.738	-	2.37%
Otc Carnival Plc Usd1.66	-	2.19%

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Volatility Measurements	
3-Yr Std Dev (volatility)	5.25%
3-Yr Mean Return (average)	4.96%

## FUND PERFORMANCE

Performance from 2012 to 31 January 2017:

	2012	2013	2014	2015	2016	2017
<b>BlackRock UK Absolute Alpha Fund</b>	0.30%	2.43%	5.96%	8.61%	2.06%	-1.41%

Performance over 12 months, 3 years, 5 years and since launch:

	1 year	3 years	5 years	Since Launch
<b>BlackRock UK Absolute Alpha Fund</b>	3.60%	15.64%	19.05%	70.12%

*You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.*

## UPDATE....

We are in an environment where investors are seeking low volatility with positive returns; like bond returns of the past. This fund appears closest in style to Jupiter Absolute Return Fund using a long/short strategy. (*Long/short equity is a strategy of taking long positions in stocks that are expected to appreciate and short positions in stocks that are expected to decline. A long/short equity strategy seeks to minimise market exposure, while profiting from stock gains in the long positions and price declines in the short positions.*)

We can see that the manager has been able to deliver positive returns over the last five years with volatility lower than general equities. In talking to the manager, he explained that currently the areas they are positive about include financials, US growth and advantaged industries. With areas like health care and food retailers, they are more neutral, and they are cautious on basic materials, some retailers and expensive defensives. In the last quarter, it was the long book which contributed most to returns with the likes of Better Capital, Lloyds Bank and Wolseley all driving performance.

Engaging with the manager for the first time it was more about understanding his view of the world. Reviewing 2016 the manager indicated that the fund suffered in January/February but they managed Brexit and Trump better. They believe that there remains risk from Trump, outcome of Article 50 and elections but they think it will be a more straightforward year. They do feel that we are moving towards a good old fashioned cycle of boom and bust.

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When listening to the manager, clearly the macro picture plays a big part and having the input from the wider group helps. He has also demonstrated that he is able to keep the volatility down whilst providing positive returns. In terms of investments it is transparent, but with performance there are similar funds which have provided better returns. Interestingly during two years of fairly flat returns the fund did well and perhaps this is an indication as to when it performs best.

In summary, in a market awash with different options this is just another option for investors to consider. We feel there are other funds out there that have performed as well or better, and therefore if this is a style of investing that appeals to investors we would recommend that they look at other options before deciding to invest. It may be that this works well as a blend rather than a standalone investment.

*The source of information in this note has been provided by BlackRock and is correct as at February 2017. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.*