

Fund in Focus

BlackRock UK Special Situations Fund

OCTOBER 2008 FOR PROFESSIONAL INTERMEDIARIES ONLY

Fund Manager



Richard Plackett
Fund Manager of BlackRock UK Special Situations Fund since June 2004.

Years at BlackRock: Six

“We are pragmatic growth investors who aim to add value through pure stock picking. Our search for genuine growth at attractive valuations leads us to owning companies across the market capitalisation spectrum.”

Fund Objective

To achieve long-term capital growth for investors. The Fund invests primarily in the shares of small or medium-sized companies incorporated or listed in the UK. The Fund may also invest in collective investment schemes. Small and medium-sized companies are those whose market capitalisation is lower than that of companies in the FTSE 100 index.

		Equity Fund
Stockmarket Capitalisation	Large	60-80 stocks
	Mid	
	Small	
Style		Flexible / Growth

* The number of shares quoted is indicative and actual numbers may fall outside of the range shown.

Portfolio Characteristics

- ▶ A focused portfolio of 60–80 ideas.
- ▶ This Fund aims to be fully invested at all times.
- ▶ The Fund is split between large-, mid-, and small-cap stocks with up to 50% in any one segment.

Investment Process

This Fund is positioned to isolate stock selection as the primary contributor to outperformance.

- ▶ The Team operates a principle of buying holdings that combine certain positive business characteristics with attractive valuations.
- ▶ Strict portfolio controls are employed to set and maintain stock weights.
- ▶ Rigorous selling disciplines ensure portfolio quality is maintained.

Process

Buy / Add

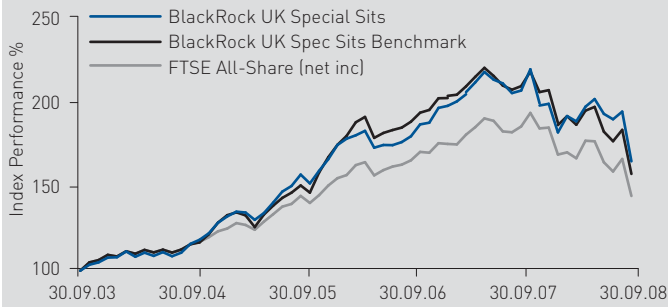
- Prior record of EPS growth
- Positive business momentum
- Strong balance sheet and cash generative
- Strong market position

Sell / Reduce

- If the fundamentals change
- Maintain weighting in the Fund if price has appreciated
- Better opportunities are found elsewhere
- Recovery stocks have recovered

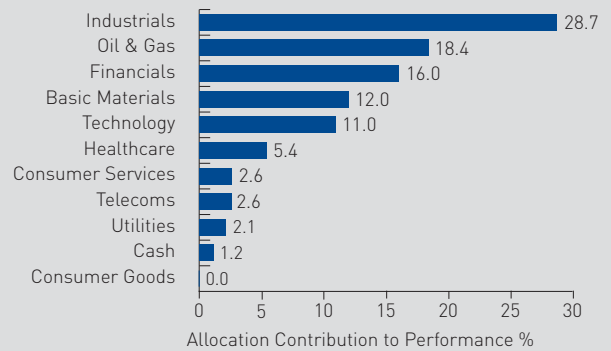


Fund Performance in GBP



Source: Fund: ©2007 Morningstar, Inc. All rights reserved, BlackRock. Index: Datastream, Sector: Morningstar. Basis: net of expenses bid to bid in sterling terms to 30.09.08. *The benchmark changed on 1 April 2006 from the FTSE 250 (total return) to the UK All Companies sector average (new index "spliced" with history of old benchmark). Performance re-based to 100 at June 2004.

Sector contribution to performance – Q3 2008



Source: BlackRock

Portfolio Positioning – as at 30.09.2008

Current themes in the portfolio:

1. Continuing to position the portfolio in favour of companies exposed to global economic growth and away from those which are too reliant on the UK domestic consumer.
2. Positive earnings momentum continues to be a strong theme for the portfolio, with a number of holdings across a wide range of industries posting positive earnings upgrades.
3. The Fund continues to have a bias towards small and medium sized companies that we believe are capable of strong growth.

Holdings with strong earnings momentum in the last 6 months include:

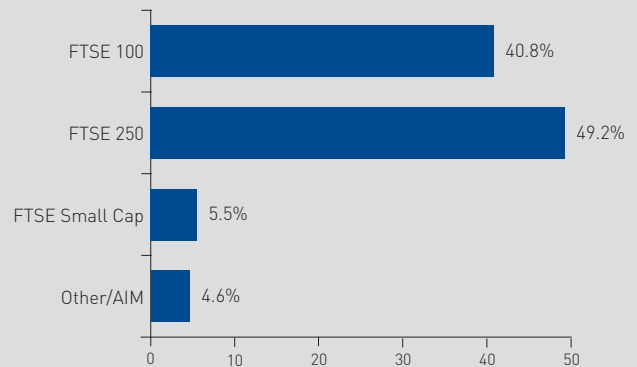
- ▶ Aveva - IT services provider
- ▶ Rotork - Engineering
- ▶ Connaught - Social housing maintenance
- ▶ Mouchel - Support services
- ▶ ITE - Exhibition organiser
- ▶ Spirax-Sarco - Steam management systems

Top 10 holdings

Stock	Fund [%]
HSBC Holdings PLC	5.5
Aveva Group/Royal Bank of Scotland	4.8
BG Group	4.6
BP PLC	4.3
BHP Billiton	4.2
Royal Dutch Shell (C LB)	4.0
BAE Systems	3.8
Aggreko Plc	2.6
Connaught	2.6
Vodafone Group PLC	2.6
Total	39.0

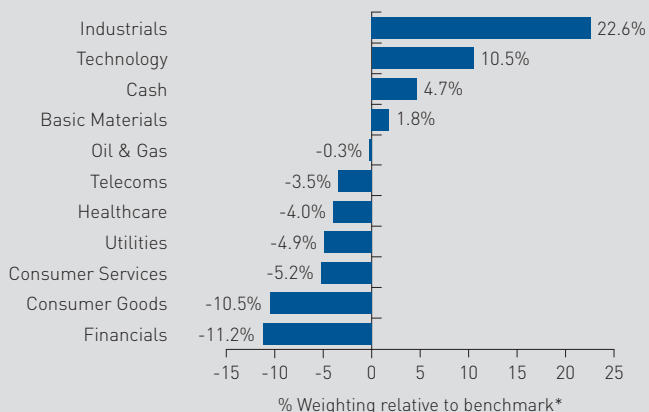
Source: BlackRock

Market Cap Breakdown – as at 30.09.2008



Source: BlackRock

Sector breakdown – 30.09.2008

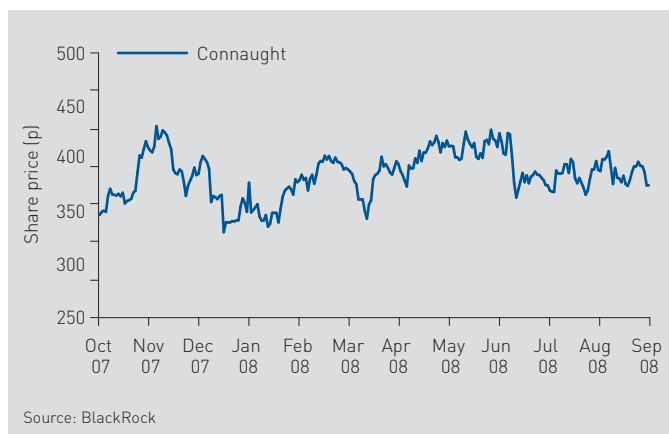


Source: BlackRock

Two stock stories

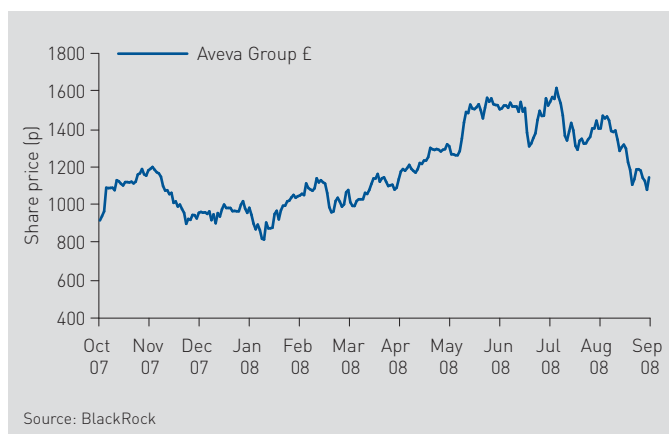
1. Connaught

- ▶ Leader in a growing market where the UK government is outsourcing the maintenance of social housing.
- ▶ One of only a few private sector contractors.
- ▶ Fast earnings growth through contract gains.



2. Aveva Group

- ▶ World leader in software for processed plant design for Oil & Gas and Power & Marine industries.
- ▶ Business has benefited from buoyant end markets such as Asia.
- ▶ Company continues to enjoy strong market share gain.
- ▶ Continuing upgrades to earning forecasts.



Fund Manager Profile

Richard Plackett has more than 18 years investment experience including 15 years investing in smaller companies. He previously worked at 3i for seven years and M&G for five years where he was initially Head of the Smaller Companies Team and ultimately responsible for the entire UK investment process. Over the course

of his career Richard has a proven track record of outperforming benchmark indices. He has been Head of the UK Small/Mid-Cap Team at BlackRock since November 2002. Richard has achieved a Citywire A Fund Manager rating.

Investment Team

- ▶ Four dedicated specialists who meet with over 700 small- and mid-cap companies per year.
- ▶ The Team runs over £1 billion of UK small and mid-cap assets as at 30.09.2008.
- ▶ Richard and the Team benefit from BlackRock's wider equity research resources, in particular the 16-strong UK Large-Cap Equity Team, who provide input into broad sector views.

Key Facts as at 30.09.2008

Fund Manager	Richard Plackett	Current size	£662.96m
Appointed to Fund	June 2004	Benchmark	UK All Companies Sector average
Years at BlackRock	Six	Currency	£
Fund launch date	14.03.1981	Bloomberg Code	MRCRECA LN
ISIN Code	GB0005805022	Sedol Number	0580502

Where this fund features in our range

UK Funds		UK Income	UK	United Kingdom*	UK Extension Strategies Fund**	UK Dynamic	UK Smaller Companies	UK Special Situations
Stockmarket Capitalisation	Large	25-40 stocks	50-70 stocks	40-60 stocks	c.50 positions including c.20 synthetic short positions*	30-50 stocks		
	Mid							60-80 stocks
	Small						Circa 100 stocks	
Style		Yield bias	Blend	Flexible	130/30 Flexible	Flexible	Flexible/Growth	Flexible/Growth

The number of shares quoted for each Fund is indicative and actual numbers may fall outside of the ranges shown.

* Part of the BGF range. **Part of the BSF range. Both are available for sale in the UK via distributor status shares. The BGF and BSF ranges are SICAVs (open ended investment companies) based in Luxembourg.

All data as at 30.09.2008. This material is for distribution to Professional Clients and should not be relied upon by any other persons. Past performance is not a guide to future performance. The value of investments and the income from them can fall as well as rise and is not guaranteed. You may not get back the amount originally invested. Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Levels and bases of taxation may change from time to time. Both Funds tend to hold a greater percentage of smaller company stocks, which can be more volatile and less liquid than those of larger companies. Unless indicated the Fund information displayed only provides summary information. Investment should be made on the basis of the relevant booklet together with the Prospectus and Simplified Prospectus, which are available from the manager. Issued by BlackRock Investment Management (UK) Limited (authorised and regulated by the Financial Services Authority). Registered office: 33 King William Street, London, EC4R 9AS. Registered in England No. 2020394. For your protection telephone calls are usually recorded. BlackRock is a trading name of BlackRock Investment Management (UK) Limited. Any research in this document has been procured and may have been acted on by BlackRock for its own purpose. The results of such research are being made available only incidentally. The views expressed do not constitute investment or any other advice and are subject to change. They do not necessarily reflect the views of any company in the BlackRock Group or any part thereof and no assurances are made as to their accuracy.

Further Information

Telephone

08457 405 405

Email

broker.services@blackrock.com

Website

blackrock.co.uk

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