



FOR PROFESSIONAL INTERMEDIARIES ONLY

Investing for Absolute Returns
- Does this have a place in every portfolio?

BlackRock, UK Regional Sales - 2008

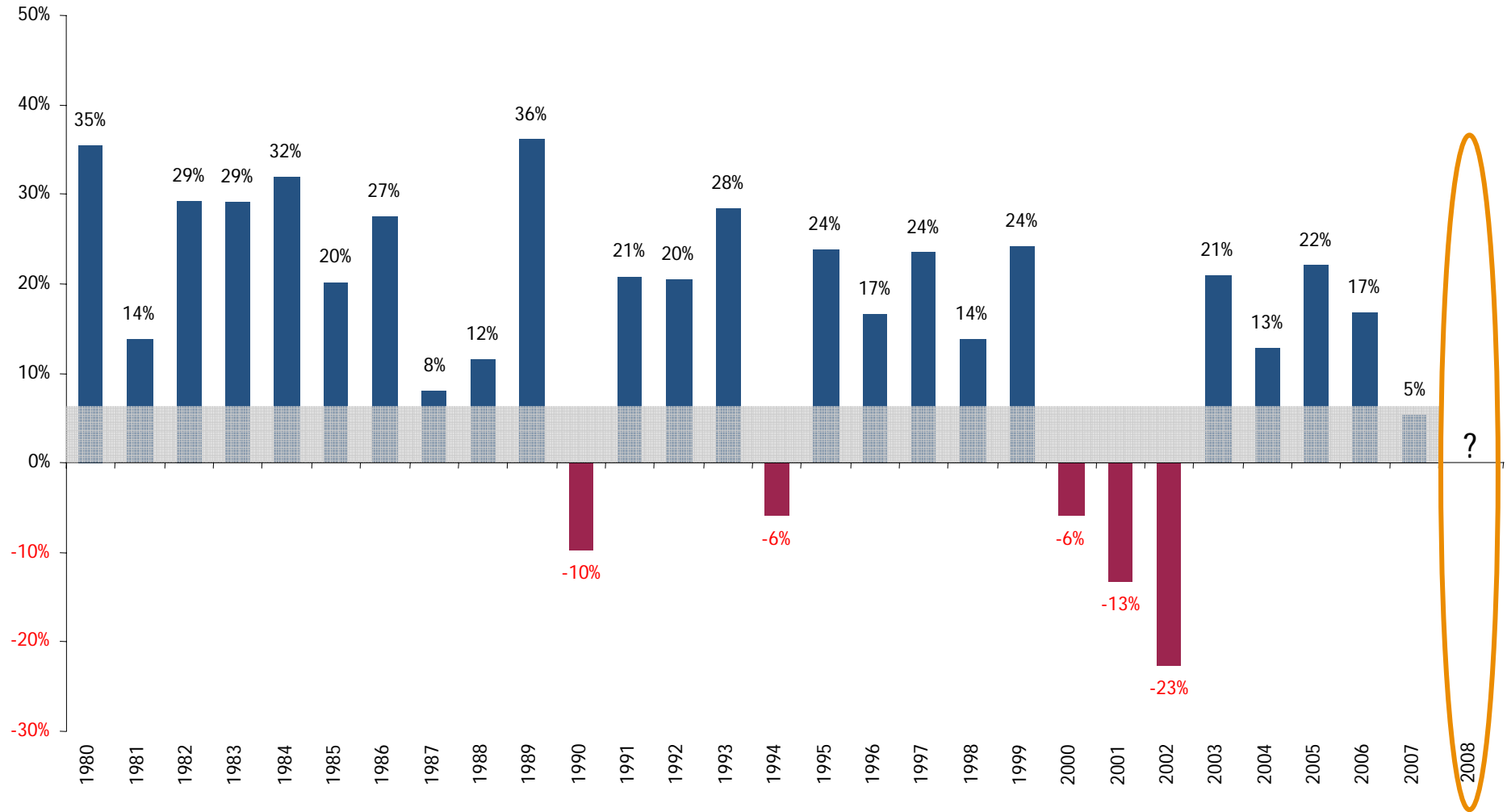


BLACKROCK

The Concept of Absolute Return

- Term originated with growing popularity of Hedge Funds in 90s
- Absolute Return is an investment philosophy and not an asset class
- UCITS III regulations 2002 permitted enhanced investment powers for retail funds
 - Pre-UCITS III derivatives use restricted to efficient portfolio management (EPM)
 - Post-UCITS III - derivatives can be used for genuine investment purposes
- Monday 28th April 2008 - IMA launched the Absolute Return sector, defined as:
“Funds managed with the aim of delivering absolute (i.e. more than zero) returns in any market conditions”

UK Equity Market Total Returns (%), 1980 - 2007



Source: Internal: FTSE All Share Total Return calendar year performance

How Do Absolute Return Funds Work?

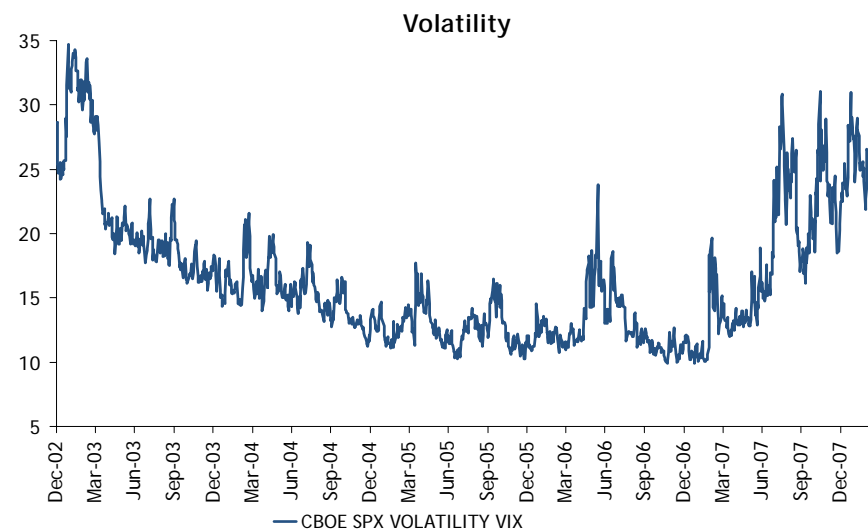
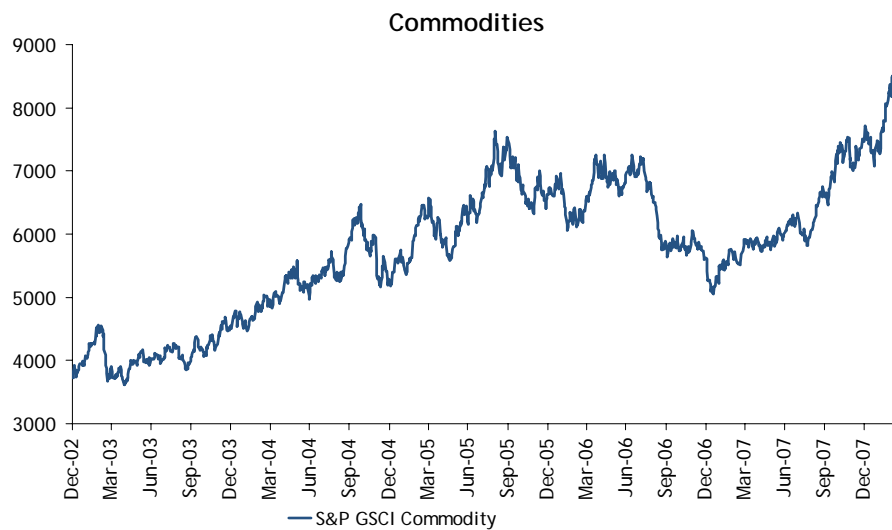
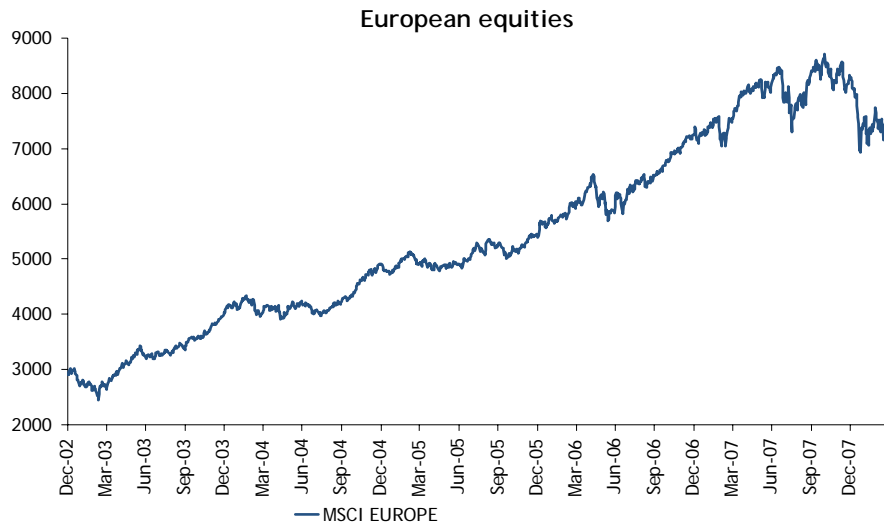
- Absolute return label is now loosely applied to any fund that uses alternative investment techniques to achieve returns de-correlated from the usual market indices
- Absolute return funds may use one of a number of strategies to achieve positive returns regardless of market conditions
- Some focus on a single asset class, e.g. bonds, or a specific asset class within a geographic region, e.g. the UK equity market
- Can combine physical assets such as equities, bonds and property
- Utilise UCITS III powers to create 'short' positions using related financial derivatives
- Still comes down to expert stock picking skills and research

Why Absolute Return funds?

- Capital preservation
- Portfolio diversity
- Lack of correlation
- Control of (equity) market risk
- Wide range of investment strategies
- Managers have the ability to make money from falling and rising stocks
- Potential for consistent, positive returns

You can't spend relative returns

..And Why Would You Invest Now?



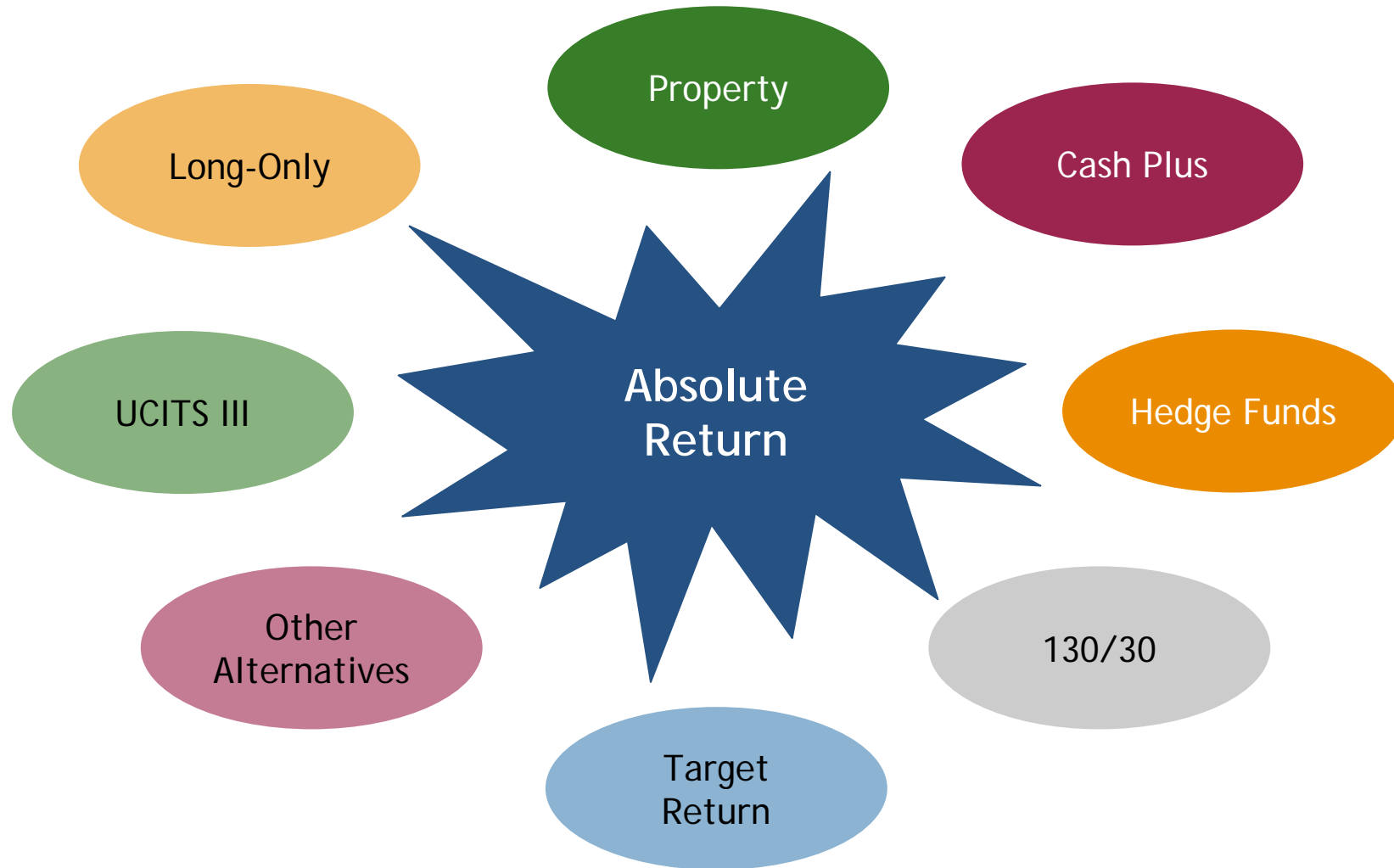
Source: Internal, performance in USD terms over 5 years to 27 March 2008

..And Why Would You Invest Now?

Outlook more uncertain...

- Macro**
 - Global GDP - UK, US, Asia
 - Inflation / Interest Rates
 - Unemployment
- Sectors**
 - Sentiment / Rotation => Volatility
 - Financials / Resources / Consumer Sensitive
- Stocks**
 - Size Bias
 - Profit warnings / Balance Sheet weakness
 - M&A

Be Careful of the Promises...



BlackRock UK Absolute Alpha Fund

- Absolute return
- Consistent lower-risk, low volatility
- Lower correlation to other asset classes
- Authorised unit trust utilising full UCITS III powers, with daily dealing



BlackRock - Engineers of Alpha

Fund Manager - Biography



Mark Lyttleton

- Over 15 years investment experience
- Specializes in UK funds for retail investors
- Manages over £2.7 billion of retail money
- Responsible for coordinating research into the Food Producers and Transport sectors



BlackRock UK Absolute Alpha
Winner - Absolute Return
category

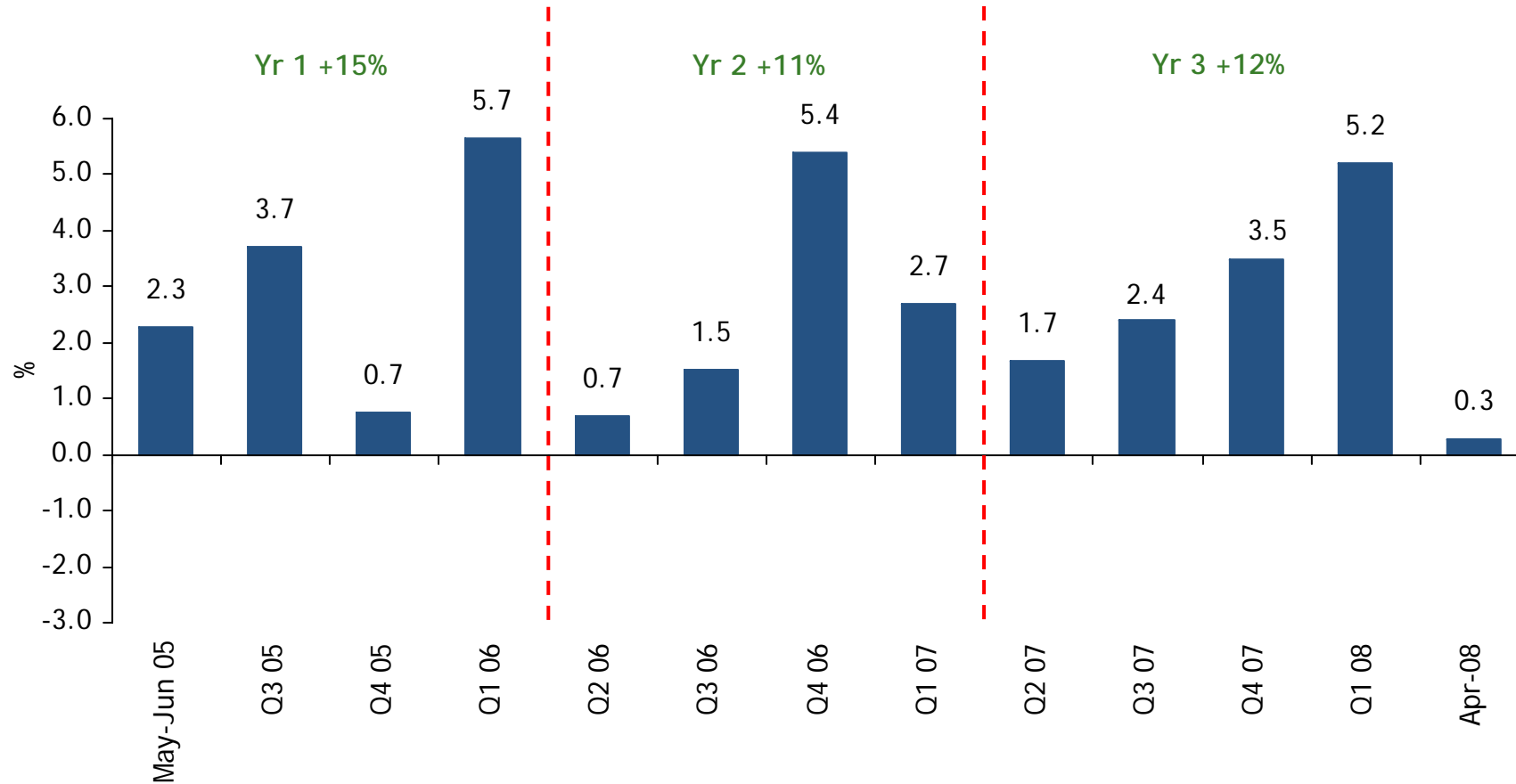
Fund Manager - Biography



Nick Osborne

- 8 years investment experience
- BSc degree in economics from Bristol University
- CFA charterholder
- Responsible for coordinating research into the Media, Telecoms and Utilities (electricity) sectors

BlackRock UK Absolute Alpha Fund



Beta:	0.08
Sharpe Ratio:	1.97
Max Drawdown:	2.3%

■ Fund Returns

Source: Internal as at 30 April 2008

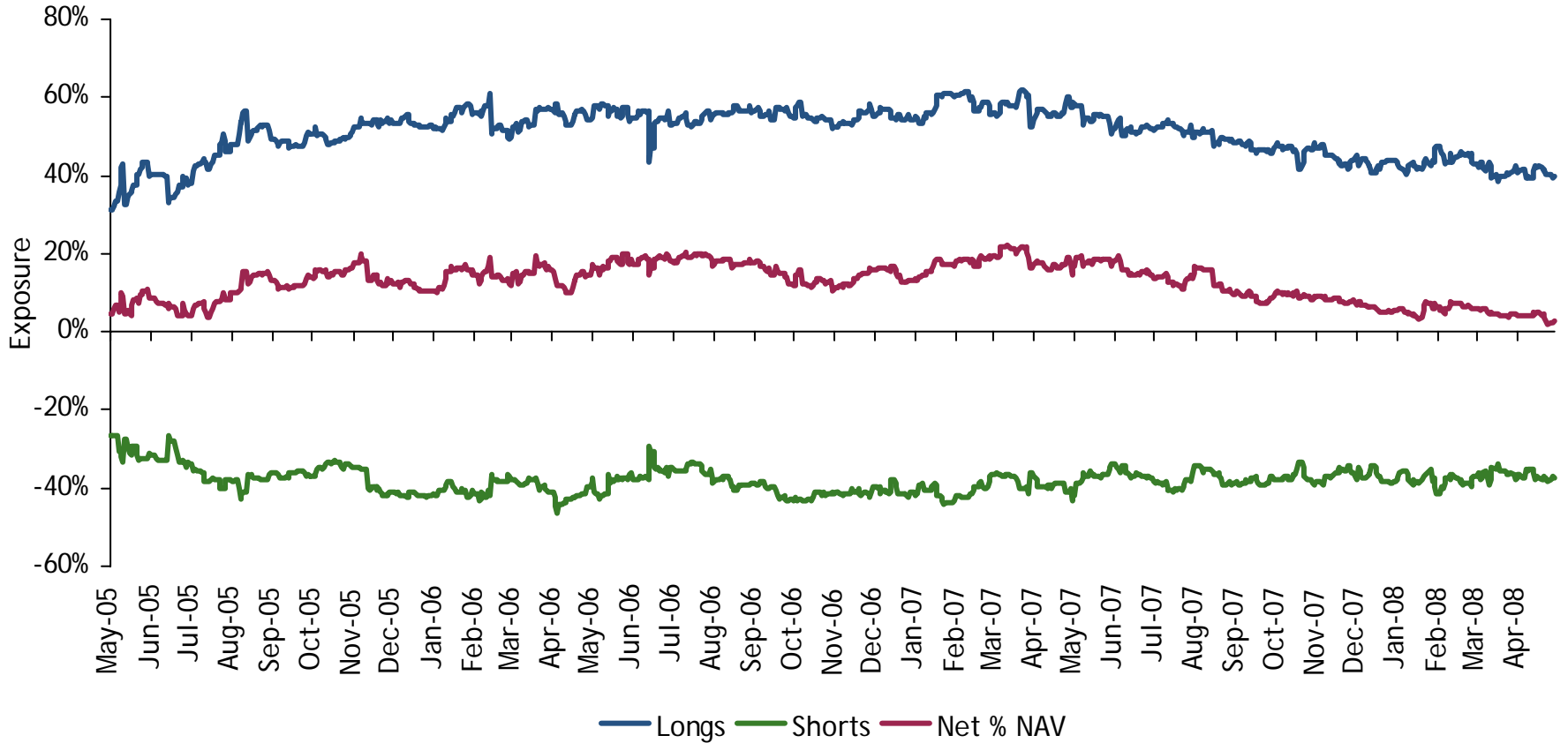
Net income reinvested in sterling terms, bid to bid prices, class A returns

Years 1, 2 & 3: May to April

From 1st September 2007, the A share class is no longer available - only P Share class is available

The Fund changed its name from the Merrill Lynch Absolute Alpha Fund on 1st September 2007

BlackRock UK Absolute Alpha Fund - Long, Short & Net Exposure



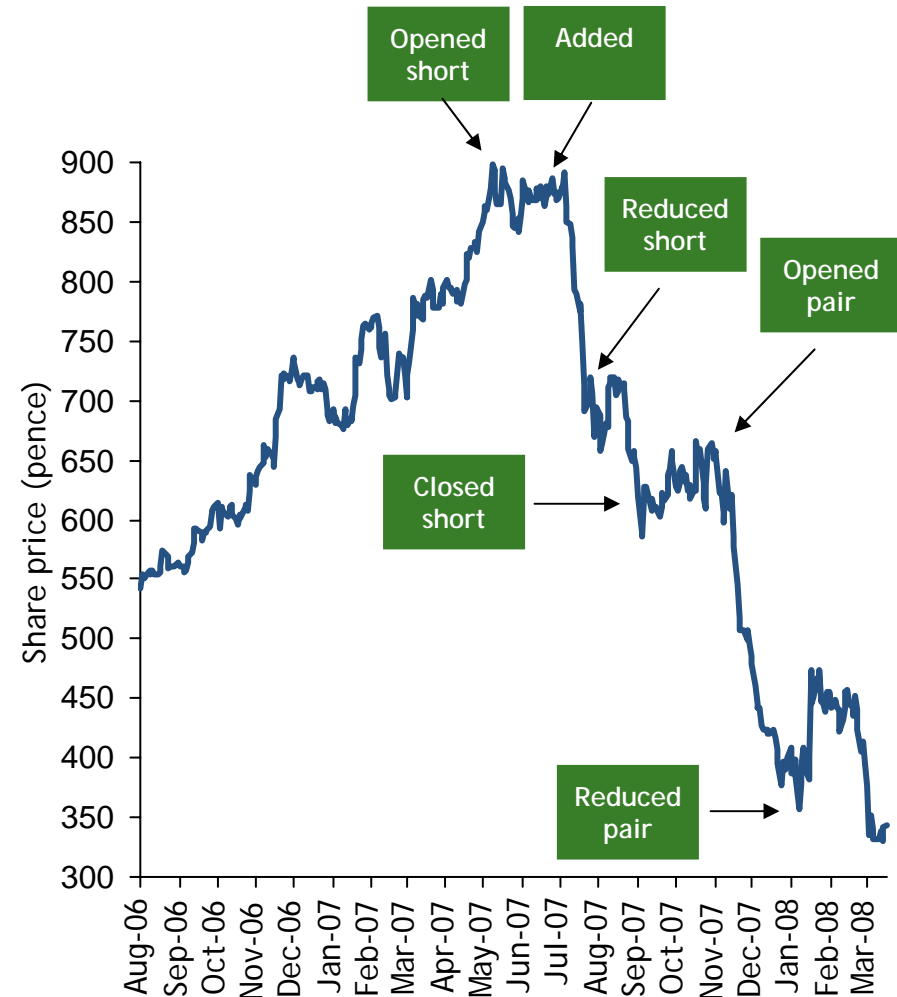
Source: Internal



Stock Example - Short

Company characteristics

- Strong asset backing, defensive consumer sensitive
- Market pricing in majority of upside of opco-propco transaction
- Shift in credit terms meant asset sale "delayed"

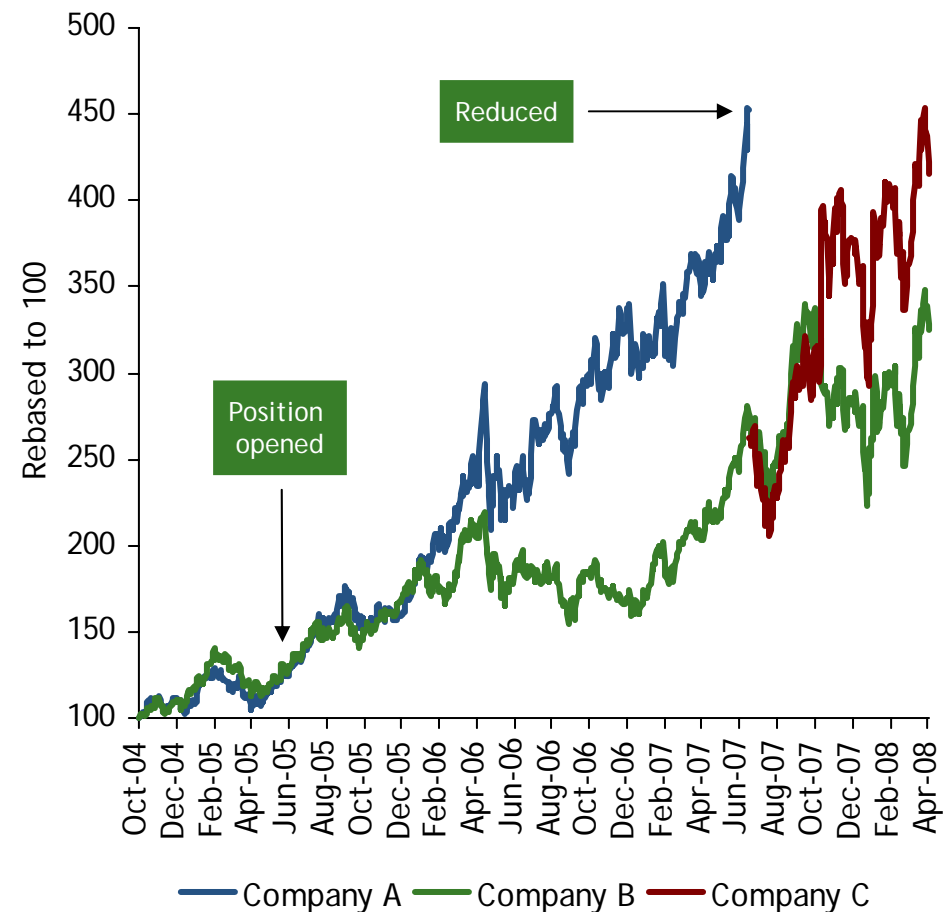


Source: Datastream as at 31 March 2008, Internal.

Stock Example - Pair Trades

Mining sector - both companies sensitive to commodity prices, with rising profits and strong balance sheets

Company A	Company B
Focused on copper, nickel and zinc	Highly diversified
Acquisitions - 'transforming'	Acquisitions - 'bolt-on'
Company C	
Iron ore and copper focus	



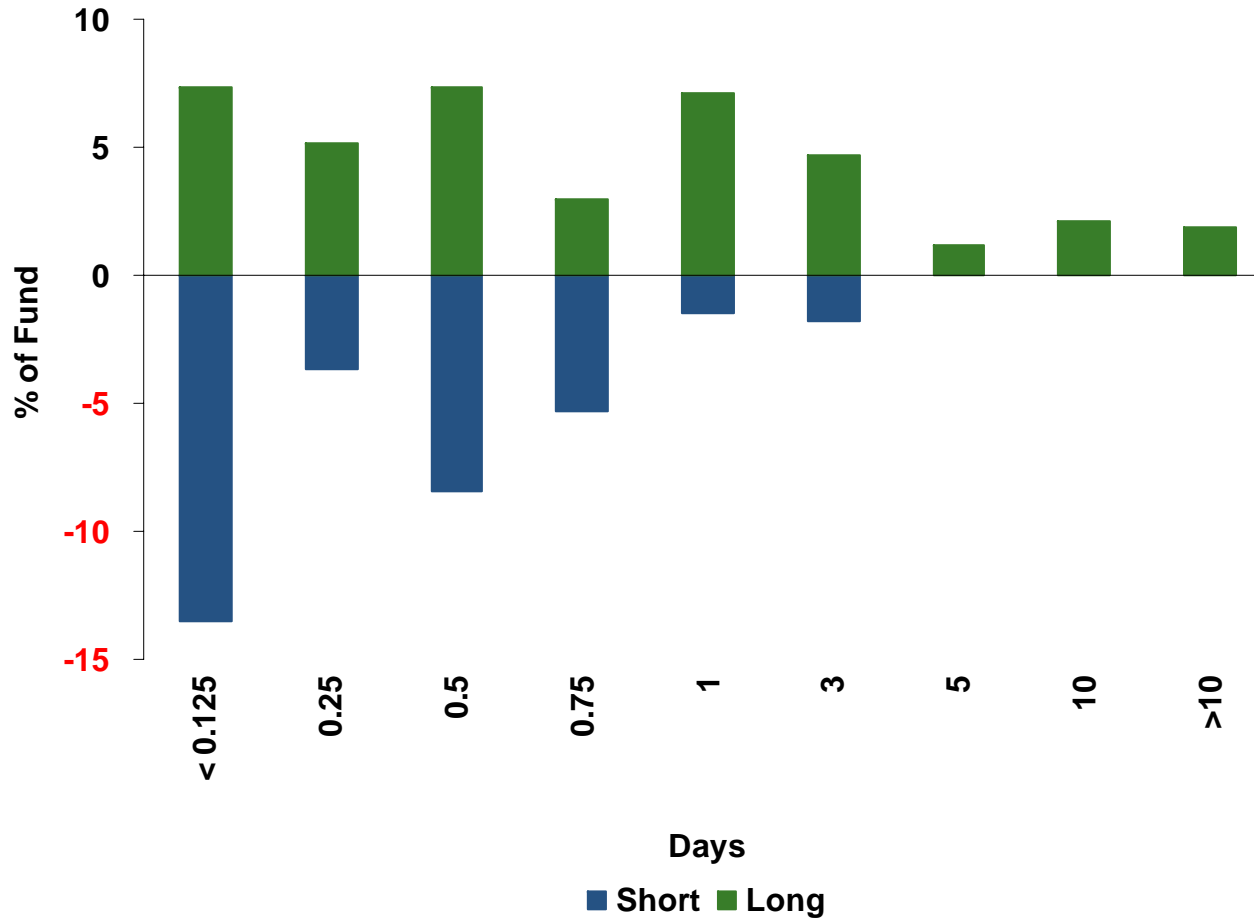
Source: Datastream as at 30 April 2008, Internal

BlackRock UK Absolute Alpha Portfolio Results: May 2005 - Apr 2008

	Naked Longs	Naked Shorts	Pairs	Other	Total
May-Jun 2005	1.39%	-0.12%	0.89%	0.13%	2.29%
Q3 2005	2.13%	0.04%	1.19%	0.36%	3.72%
Q4 2005	2.92%	-1.68%	-0.20%	-0.30%	0.74%
Q1 2006	5.36%	-0.02%	0.64%	-0.32%	5.66%
Q2 2006	-0.50%	0.27%	1.37%	-0.45%	0.69%
Q3 2006	2.28%	-0.51%	-0.10%	-0.16%	1.52%
Q4 2006	4.93%	-0.98%	1.47%	-0.02%	5.41%
Q1 2007	2.89%	-0.40%	0.65%	-0.15%	2.42%
Q2 2007	1.38%	-0.46%	0.72%	0.02%	1.66%
Q3 2007	-0.78%	1.50%	1.51%	0.19%	2.42%
Q4 2007	0.36%	0.89%	1.59%	0.55%	3.46%
Jan 2008	-1.32%	1.80%	0.43%	0.31%	1.22%
Feb 2008	1.82%	0.25%	0.66%	-0.15%	2.58%
Mar 2008	-0.32%	0.47%	1.11%	0.04%	1.30%
Apr 2008	2.11%	-1.83%	-0.03%	0.01%	0.27%
Since Inception	26.75%	-1.28%	12.51%	-0.05%	37.93%

Source: Internal. Net of fees, class A returns

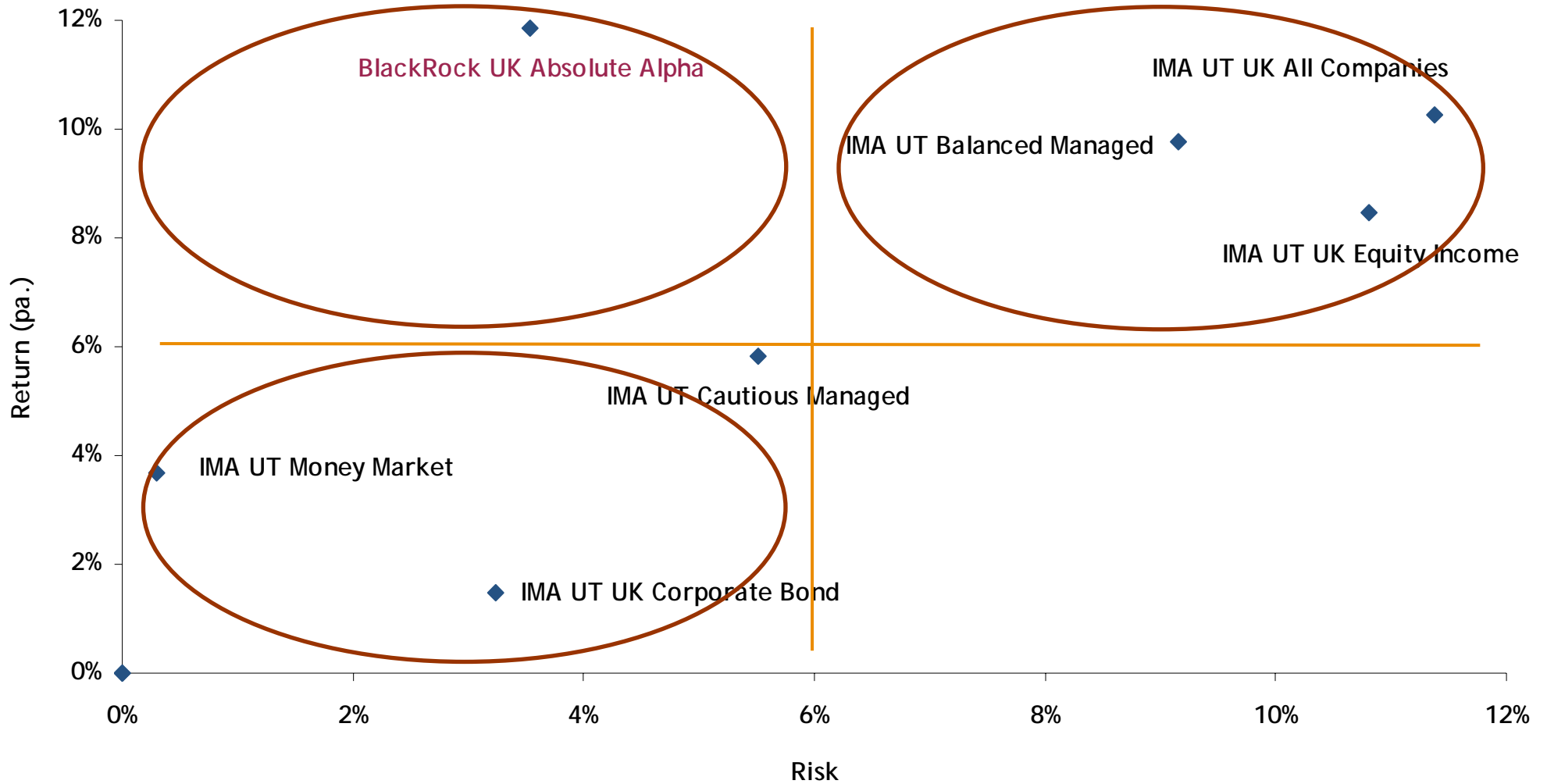
BlackRock UK Absolute Alpha Fund - Liquidity Report



Source: Internal as at 30 April 2008

Indication of number of trading days required to liquidate long and short positions in the BlackRock UK Absolute Alpha Fund. Subject to change on a daily basis.

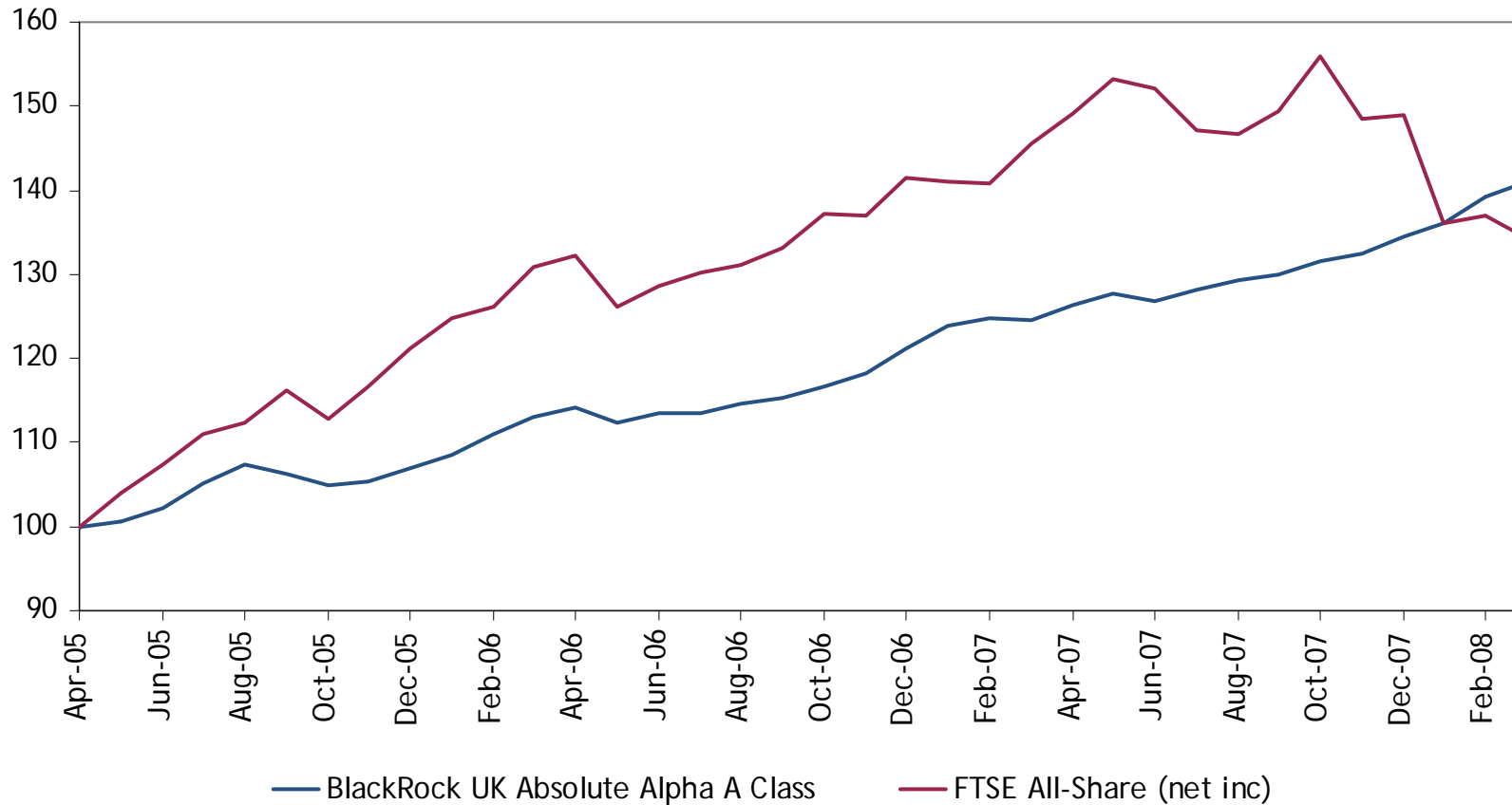
Risk & Return: Where Does the Fund Fit?



Source of Performance figures: Fund - BlackRock; IMA Sector and Indices - Morningstar. Data based on monthly returns expressed in GBP, Period 29 April 2005 - 31 January 2008. Fund data relates to Class A performance. * Measured against the FTSE All Share.

BlackRock UK Absolute Alpha Fund Returns

BlackRock UK Absolute Alpha vs. FTSE All-Share (net inc)



Source: BlackRock at 31 March 2008, dealing prices, bid to bid, net income reinvested in sterling terms, class A returns (29/04/05) versus FTSE All Share (net inc)

Important Information

This material is for distribution to Professional Clients and should not be relied upon by any other persons.

Unless otherwise illustrated, fund data is based on Class A units as at 31.01.2008. With effect from 1 September 2007, Class A units are no longer available for further investment. Historic performance is shown for information purposes only. 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. 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. Typically, UK Authorised Unit Trusts invest on a 'long only' basis. This means they will rise (or fall) in value based on the market value of the assets they hold. BlackRock UK Absolute Alpha Fund, by employing certain derivative techniques, will establish both 'long' and 'short' positions. As a result, as well as holding assets that may rise or fall with market values, it will also hold positions that will rise as the market value falls, and fall as the market value rises. Therefore the Fund can be referred to as being a 'long/short' fund. The Fund is principally exposed to UK company share price movements. Certain derivative techniques establish "long" and "short" positions which can lead to movements in the Fund's value which might not correspond with the general direction of the UK stock market. The Manager employs a risk management process to oversee and manage derivative exposure within the Fund. 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. Tel: 020 7743 3000. For your protection, telephone calls are usually recorded. BlackRock is a trading name of BlackRock Investment Management (UK) Limited.