

BlackRock European Absolute Alpha Fund  
and BlackRock UK Absolute Alpha Fund  
Simplified Prospectus

BlackRock Funds ISA Terms and Conditions

JULY 2009

## Helping you decide

This is an important document which you should read carefully and keep safe for future reference. It provides summary information on the BlackRock European Absolute Alpha Fund and the BlackRock UK Absolute Alpha Fund (together 'the Funds') to help you decide whether to invest. Please also refer to the Full Prospectus for further details.

**BLACKROCK**

## Contact information

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**0800 44 55 22**

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Alternatively, speak to your Financial Adviser.

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Throughout this document the  icon will direct to where you can find further information on a particular topic relating to your investment in the BlackRock European Absolute Alpha Fund or the BlackRock UK Absolute Alpha Fund ('the Funds'). The literature referred to can either be downloaded from [blackrock.co.uk](https://www.blackrock.co.uk) or you can telephone us on **0800 44 55 22**. Our lines are open from 8.30 a.m. to 6.00 p.m., Monday to Friday.

# About the Funds

You should read the contents of this Simplified Prospectus document carefully. More detailed information is contained in the Full Prospectus and the latest interim and Annual Report and Accounts and Short Report which are available free of charge, before the conclusion of any transaction and afterwards.

See 'contact information' for details of how to contact us.

## What are the funds and what is their aim?

Both funds are authorised by the Financial Services Authority (the 'FSA') in the United Kingdom as unit trust schemes under section 243 of the Financial Services & Markets Act 2000. Each is managed by BlackRock Fund Managers Limited ('the Manager'). The Funds have been established as UCITS retail schemes under the FSA's COLL Sourcebook and are currently registered for sale in the United Kingdom only.

Both Funds seek to provide you with the opportunity to make investments that aim to grow over the medium to longer term which you can add to at any time and withdraw your money when you need it. Investing in this way can deliver better returns than by simply keeping your money in a bank or building society account. However, you need to be prepared that with this opportunity there is a risk that you may not get back the money you originally invested.

The BlackRock Funds ISA is a stocks and shares ISA and offers a flexible, cost effective and tax efficient way of investing in the Funds.

The following table shows the investment objective and policy for each of the Funds. You should be aware there are general risks that apply when making investments and specific risks which apply to the Funds. These are set out below.

Fund	Investment objective and policies
BlackRock European Absolute Alpha Fund (Established 31 March 2009)	<p>The Fund seeks to achieve a positive absolute return for investors and, as such, the Fund will not be managed against any European equity index. The Fund invests primarily in a portfolio of equities and equity-related securities (including derivatives) of companies incorporated or listed in the European Economic Area and Switzerland, although from time to time cash and near cash may be held. The Fund may also invest in other transferable securities, permitted money market instruments, permitted deposits and units in collective investment schemes.</p> <p>In order to achieve the investment objective and policy the Fund will invest in a variety of investment strategies and instruments. It intends to take full advantage of the ability to invest in derivatives providing both long and synthetic short positions principally through the use of contracts for difference.</p>
BlackRock UK Absolute Alpha Fund (Established 25 April 2005)	<p>BlackRock UK Absolute Alpha Fund seeks to achieve a positive absolute return for investors and, as such, the Fund will not be managed against any UK equity index. The Fund invests primarily in a portfolio of equities and equity-related securities (including derivatives) of companies incorporated or listed in the UK, although from time to time cash and near cash may be held. The Fund may also invest in other transferable securities, permitted money market instruments, permitted deposits and units in collective investment schemes.</p> <p>In order to achieve the investment objective and policy the Fund will invest in a variety of investment strategies and instruments. It intends to take full advantage of the ability to invest in derivatives providing both long and synthetic short positions principally through the use of contracts for difference.</p>

## Who can invest?

As authorised unit trusts, the Funds are available for investment by the public. Anyone aged 18 years or over can invest. You may also invest in a designated account on behalf of a minor less than 18 years.

Investment in the Funds will not be suitable for all investors. Any investment should be considered against your specific investment needs and appetite for risk. BlackRock has not considered the suitability or appropriateness of this investment for your personal circumstances. If you are in any doubt about the suitability of this Fund to your needs you should seek appropriate professional advice.



See 'Your questions answered' on page 4. You may also refer to the individual fund factsheets which you can download from our website. Go to [blackrock.co.uk](http://blackrock.co.uk).

# Risk factors

## General risk factors

- ▶ All financial investments involve an element of risk and your initial capital cannot be guaranteed.
- ▶ The value of your investment and the income from it will vary. When you sell your investment, or if you cancel your investment, you may get back less than you originally invested.
- ▶ As part of their investment strategy, both Funds utilise investment techniques involving the use of complex financial instruments known as derivatives. These allow an investment manager to invest artificially in financial securities, such as shares or bonds, or other investments, without owning the physical assets.
- ▶ Derivatives will be used substantially for complex investment strategies to take advantage of both rising as well as falling stock prices. These include the creation of synthetic 'long' or 'short' positions where the Investment Manager artificially buys or sells an investment and does not physically own it. The use of derivatives can involve a greater element of risk. A positive or negative movement in the value of stock markets can have a larger effect on the value of derivatives as these are more sensitive to changes. The Manager employs a risk management process to oversee and manage derivative exposure within the Funds.
- ▶ The Funds may be exposed to finance sector companies, as a service provider or as counterparty for financial contracts, including derivatives. In recent times, liquidity in the financial markets has become severely restricted, causing a number of firms to withdraw from the market, or in some extreme cases, becoming insolvent. Severe market events of this nature will have an adverse effect on the activities of the Funds. The Manager will only deal with counterparties of good standing. However, there is a risk that due to events beyond the Manager's control, a counterparty may not meet its contractual obligations to return property or money belonging to the Funds.
- ▶ the Funds can hold shares in companies which are not listed on a stock exchange. These can be difficult to value in certain situations and may be based on historic facts. This means that the value of the shares may be different when they are sold.
- ▶ the Funds may invest in initial public offerings or new debt issues. The price 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.

The following additional factors may also be relevant in relation to an investment in the Funds:

- ▶ The possibility that capital may be eroded as an indirect result of the sale of units by investors (redemptions) particularly where timing differences exist between the point at which the price of a Fund is set and the time at which any underlying securities are sold in order to finance the proceeds of such redemptions; and/or
- ▶ The erosion of capital where distributions made during any annual accounting period exceed the actual income accumulated at the end of the period.
- ▶ Investors should also be aware that certain environmental factors, such as the applicable regulatory or tax regime, may be subject to change in the future, which may affect the risk profile and other characteristics of the investment.

## Additional risk factors – BlackRock European Absolute Alpha Fund

### Gross market exposure


Derivatives will also be used to generate gross exposure to investments greater than the net asset value of the Fund. Investment managers refer to this practice as obtaining 'market leverage'. As a result, a positive or negative movement in stock markets will have a larger impact on the value of these derivative positions where market leverage is utilised.

### Currency risk

The Fund invests a large portion of assets which are denominated in currencies other than the Base Currency (sterling); hence changes in the relevant exchange rate will cause the value of your investment to go up or down.


The Fund will attempt to reduce (or 'hedge') the risk of currency movements between the Base Currency and the currency in which some or all of the underlying investments are transacted.


It should be noted that the hedging strategy employed will not completely eliminate the exposure of the Fund to movements between the Base Currency and these other currencies. The hedging strategies may be entered into whether the Base Currency is declining or increasing in value compared to the currency of the underlying investments. This may have a positive or negative impact on the performance of the Fund.

 Refer to the Full Prospectus for further information which is available on request.

## Key facts: your questions answered

This section should answer the questions you may have about investing in the funds inside or outside of the BlackRock Funds ISA.

Remember, the  icon will direct you to where you can find further information on a particular subject. You can also contact us directly for further information on **0800 44 55 22**.

 Visit [blackrock.co.uk](http://blackrock.co.uk) for the Fund Catalogue and other information concerning the Funds.

### What are my investment options?

You can invest a lump sum amount and/or a regular monthly amount. The minimum and maximum amounts are as follows:

Investment options	Class P Units	Class P Units (ISA)	Class D Units
Minimum initial lump sum	£500 per fund	£500 per fund	£1,000,000
Subsequent lump sum	£100 per fund	£100 per fund	£100
Maximum lump sum	None	£7,200 <sup>1</sup>	None
Minimum monthly investment	£50 per fund	£50 per fund	Not available
Maximum monthly investment	None	£600 <sup>2</sup>	Not available
Minimum holding	£500 per fund	£500 per fund	£1,000,000

<sup>1</sup> From 6 October 2009 the annual ISA limit for investors who are 50 years or over will increase to £10,200 (of which up to £5,100 can be invested in a cash ISA). The increased annual ISA limit will be introduced for all eligible investors from 6 April 2010 onwards.

<sup>2</sup> Assuming you invest the same amount each month in any tax year.

#### ISA transfers


You can also transfer all or part of any previous tax year's cash ISA or a stocks and shares ISA with another provider to a BlackRock Funds ISA. However, if you wish to transfer your current tax year ISA, you must transfer the full amount. You can also transfer monies held in a TESSA Only ISA to BlackRock.

#### Income

Income is either paid as a dividend or as an interest distribution if sufficient qualifying investments are held according to the criteria set out by HM Revenue & Customs.


At present only Class P and Class D Accumulation Units are available. Any income which is attributable to each unit class as at the end of the interim and annual financial accounting periods (30 June and 31 December) is accumulated within the Fund. The income paid is reflected in the increased price of the units although the number of units you hold will remain the same.

If you were an existing holder of Class A Income Units of BlackRock UK Absolute Alpha Fund prior to 1 September 2007, income will be paid either by cheque or directly into your bank account in accordance with your previous election. If you continue to invest in Class A Accumulation units via regular monthly payments, income will be accumulated as described above for Class P Accumulation Units.

 See also 'Your income' under the ISA Terms and Conditions.

We do have the ability to issue additional unit classes at our discretion, including income units which distribute income directly to unitholders.

The amount of the last annual dividend paid is stated as a percentage (%) of the bid ('selling') price of the Fund. This is known as the dividend yield and is published on our website.

 Visit [blackrock.co.uk](http://blackrock.co.uk).

#### 2008/2009 ISA allowances

Under the existing ISA rules set by the Government, which are subject to change, you are able to invest up to £7,200 per tax year in an ISA. Each tax year runs from 6 April in one year to 5 April in the next. There are two ways in which you can invest in an ISA:

- ▶ You can invest the full £7,200 via a **stocks and shares ISA** with one provider. The majority of BlackRock funds are available in a stocks and shares ISA; or
- ▶ You can invest £3,600 into a **cash ISA**, again with one provider. You can then invest the remaining £3,600 of your annual ISA limit into a stocks and shares ISA with either the same provider as your cash ISA or another provider. BlackRock does not offer a cash ISA. You could invest £3,600 in the BlackRock Investment Trust stocks and shares ISA and the remainder with someone else. If you decide to invest with different providers it is then your responsibility to ensure that you do not invest more than the annual £7,200 allowance in total in ISAs.
- ▶ From 6 October 2009 the annual ISA limit for investors who are 50 years or over will increase to £10,200 (of which up to £5,100 can be invested in a cash ISA). The increased annual ISA limit will be introduced for all eligible investors from 6 April 2010 onwards.

## How do I invest?

All the instructions on how to invest are set out in the relevant Application Form. There are different forms for investing inside and outside of the ISA, and for ISA transfers.

Alternatively, you can invest a lump sum by telephoning our Investor Services Team or by fax, either directly or through your Financial Adviser, between 8.30 a.m. and 5.30 p.m. on any business day.

**Lump sum investments:** Remember to enclose your cheque payable to BlackRock Fund Managers Limited. If you do not pay at the time you provide your instruction, you must provide payment within four business days of the date of the transaction.

**ISA:** Please make your cheque payable to BlackRock Investment Management (UK) Limited. This must be received with your Application Form.

**Regular monthly investments:** You must provide your bank details in the relevant section of the Application Form.

**ISA transfers:** BlackRock will contact your current ISA manager to arrange the transfer. They will arrange to sell your holdings and transfer the cash to BlackRock. This should be within a period set out in the Terms and Conditions provided by your current ISA manager. You will not be invested during this time until we receive this amount.



Refer to the Full Prospectus and ISA Terms and Conditions. The Full Prospectus is available on request. Also visit [blackrock.co.uk](https://www.blackrock.co.uk) to download the relevant Application Forms which also contain instructions for investing or call 0800 44 55 22 for more information.

**Please note that if you fail to provide your payment within the period set out above, we reserve the right to cancel your investment and you may be liable for any loss suffered by us as a consequence.**

## What happens next?

### Lump sum investments

If we receive your application and cheque before 12 noon on a business day, we will invest the money on the same day. If we receive your application and cheque after 12 noon or on a non-business day, we will invest the money on the next business day.

The price at which you purchase units is normally calculated at 12 noon on each business day and is based on the buying price ('offer') of the underlying investments and all other assets and liabilities held by the Fund, including cash and all expenses.

We will send you a contract note/confirmation on the next business day after we have invested your money.

### Regular monthly investments

We will send you a letter acknowledging receipt of your application. We will then set up a direct debit to collect and invest the amount specified on the 15th day of each month (or the 25th day of each month for the ISA). If this day is not a business day, then we will invest the money on the next business day.

As banks typically require up to 10 working days to set up a direct debit, we will need to receive your application around 12 working days before the collection date. If your application is received after this date, we would normally collect the first amount the next month.

### ISA transfers

Once we have received the money from your existing ISA Manager, we will invest the amount as specified by you in the Application Form in the same way as for lump sum investments (above).



See also 'Timing of transactions' in the ISA Terms and Conditions.

## How do I make further investments?

### Lump sum investments

You can invest additional lump sum amounts in writing to us or by telephone or fax, as described above.

### Regular monthly investments

If you do not already have a direct debit set up, you should complete, sign and return the direct debit instruction on the relevant Application Form. Alternatively, if you wish to increase or decrease your current regular monthly investment, please just let us know in writing.

## Can I change my mind?

If you have received advice on your investment from an authorised Financial Adviser you will normally be able to cancel your investment. You will need to write to us within 14 days of receiving the contract note or in the case of regular monthly investments, the acknowledgment letter. Your instruction to cancel the investment must be submitted to the registered office of the Manager (see page 12).

On receipt of your instruction to cancel, we will then return your money to you, although if the value of your investment has fallen since the date you invested, you will not get back the full amount.

For regular monthly investments, you can only cancel the initial payment although you will not be liable for any fall in value. You will receive the full amount back.

If you have not yet paid for your investment you will still be liable for any shortfall and the amount due to you from the cancellation will be held until the purchase payment has cleared. This may be for a period of up to 21 days from your original purchase. No interest is paid on these amounts.

We can return money relating to an ISA transfer to your current provider if you decide, although you must ensure your instruction is clear, otherwise money may be paid directly to you and will no longer be subject to the tax benefits of an ISA. You should also ensure that your current provider is able to take the money back.



See also 'Cancellation rights' in the ISA Terms and Conditions.

## How will I be kept informed about my investment?

A copy of the Short Report for the relevant Fund will be sent to you every six months at the end of February and August. This will provide you with summary information on the activities of the Fund over the period that the report covers.

The Full Interim and Annual Report and Accounts provide more detailed information, including the full financial statement. These are available to view or download from our website or in hard-copy on request from our Investor Services Team.

In addition, every six months you will receive a valuation and statement of your account.

Statements are produced as at 5 April and 5 October and will be sent to you within 25 days of this date.



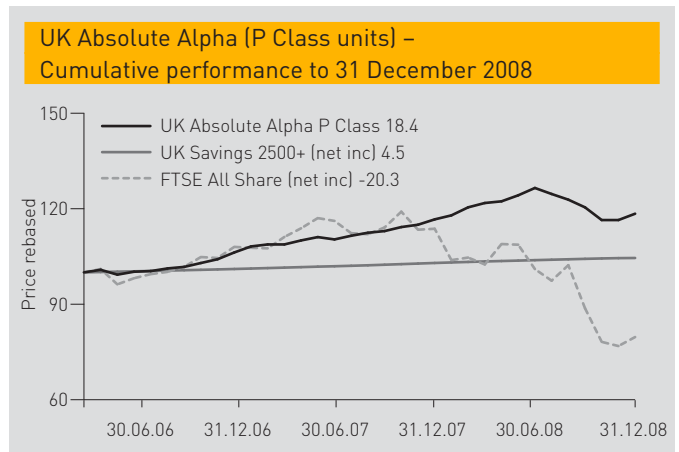
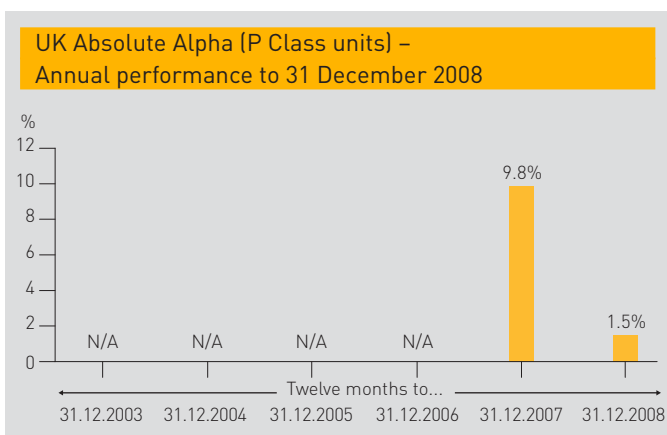
Visit [blackrock.co.uk](http://blackrock.co.uk) or call us on 0800 44 55 22.

## Where can I find information concerning the value of my investment?

Dealing prices will normally be available from 3.00 p.m. on each business day and can be obtained by calling our Investor Services Team. Prices are also available on our website.

## BlackRock UK Absolute Alpha Fund – performance to 31 December 2008

The graphs below shows the annual performance for the Fund to the most recent quarter end prior to production of this document (31 December 2008). The graph on the right hand side shows the Fund's cumulative performance over the same period and also includes comparison to the FTSE All-Share Index and the return from an average deposit account (measured by the Standard & Poor's deposit account rate compiled from the 20 largest building societies and ex-societies £2,500+ accounts) which is provided for reference purposes only. Please remember that past performance is not a guide to future performance.



**There is currently insufficient historical performance data in relation to the BlackRock European Absolute Alpha Fund to be included in this document.**

For more recent Fund performance information, visit our website or call our Investor Services Team.



Visit [blackrock.co.uk](http://blackrock.co.uk) or call us on 0800 44 55 22.

## What happens if I move abroad?

If you move abroad you can continue to hold your investment although your tax status may be affected by the laws of the country you move to.

You will not be able to make any further investments into your stocks and shares ISA if you are no longer resident in the UK for tax purposes, except if you are a Crown employee (typically a serving member of the armed forces or a diplomat). However, you can still switch between BlackRock Funds or transfer your stocks and shares ISA to another provider.



Contact us for further information or speak to a tax adviser.

## What happens if I die?

Your investments will either be transferred to the personal representatives of your estate or as directed by them once grant of probate or confirmation (if in Scotland) has been obtained. We can produce probate valuations on request. Please note that stocks and share ISAs automatically lose their tax-free status on death.

If you hold units jointly with one or more other investors, your holding will automatically become the property of the surviving unitholders.

## What happens if I want to take my money out?

You can withdraw amounts of £250 or more from non-ISA investments by providing an instruction in writing, or by telephone or fax between the hours of 8.30 a.m. and 5.30 p.m. on any business day. Instructions to sell your ISA may only be given in writing.

Telephone or fax instructions must be confirmed subsequently in writing using the renunciation form supplied with the contract note, or by letter. In exceptional circumstances and at our sole discretion, we may accept confirmation by fax or in electronic form.

We will need to receive the instruction by 12 noon in order to sell your investment on that business day otherwise we will sell your investment on the following business day. A contract note will normally be sent to you on the next business day.

The price at which you sell units is normally calculated at 12 noon on each business day and is based on the selling price ('bid') of the underlying investments and all other assets and liabilities held by the Fund, including cash and all expenses.


We will send you a cheque for the proceeds within four business days of receiving your written instruction or confirmation in writing.

You can instruct us to stop collecting regular monthly investments but we require one month's notice to stop your direct debit instruction. Alternatively, you can contact your bank or building society and cancel the direct debit immediately.

You must always keep a minimum holding of £500 in each Fund.


Please note that if you withdraw money from your stocks and shares ISA and you have already used your allowance of £7,200, you will be unable to reinvest in your stocks and shares ISA or another ISA in the same tax year.

You should also note that in order to protect continuing unitholders it may be necessary to defer orders to sell units in the Funds. This will only apply where requests to sell units exceed 10% of the value of each Fund and enables the Manager to deal with the requests by matching sales and purchases and/or raising money in the stockmarkets at prices which are not disadvantageous to investors. All sale orders will be treated in the same way and prioritised by date received.

 See also **'Withdrawals'** in the ISA Terms and Conditions.


## Can I switch my investments to another fund?

Yes, you can switch £500 or more into another BlackRock retail fund by telephoning or writing to us. A switch involves selling units in one Fund and using the proceeds to buy units in another.

 Visit **blackrock.co.uk** for information on the other BlackRock funds available.


You should note that a switch outside of an ISA is considered a disposal for capital gains tax purposes.

If you hold an ISA you can switch £500 or more temporarily into cash pending reinvestment. You should note that no interest is payable on cash balances.

 See also **'Cash in your Plan'** in the ISA Terms and Conditions'. Please note that charges will apply. See **'Charges'** section in this document.

## Can I transfer my investment to another ISA provider?

Yes. We would normally wait for instructions from the new provider and transfer your investments or cash as you have agreed with them.

 See also **'Transfers out'** in the ISA Terms and Conditions.

## What about tax?

### The Funds

The Funds are taxed as 'investment companies' which means that franked income (dividends paid by UK companies) is not liable to tax within the Funds as it has been paid out of profits made by the companies which have already been taxed. The Funds are liable to UK corporation tax at the lower rate of income tax, currently 20% (2009/10) on any unfranked income after deduction of allowable expenses. The funds will not normally be liable to tax on capital gains from the sale of underlying investments.

### Unitholders

Dividend distributions are paid with holding a notional tax credit of 10%. Lower rate and basic rate taxpayers will have no further liability to income tax on dividends. Higher rate tax payers will be liable for further tax.

Interest distributions are subject to 20% withholding tax. Lower and basic rate taxpayers will have no further tax to pay, although higher rate taxpayers are liable at the higher rate of 40% or 50% (if applicable), with a credit being given for the income tax already paid.

If you are not ordinarily resident in the UK for tax purposes or are a corporate body you may be eligible to receive interest distributions without deduction of tax. Please contact us for further information.

Any gains arising on the sale of your units (including switches) are potentially subject to tax on the capital gains. For individuals, the first £10,100 of chargeable gains from all sources are exempt from UK tax in 2009/2010. Thereafter, capital gains are taxed at 18%.


Under existing legislation, whatever your tax status, you will have no further liability to income or capital gains tax in respect of your ISA investments. Interest distributions are paid gross, including an amount equal to 20% income tax. If you hold accumulation units, we will reclaim the tax on your behalf and reinvest the amount in the same Fund on receipt. Equalisation may reduce the level of tax reclaimable.

### Equalisation

Units purchased during the current accounting period (Group 2 units) include an amount of income which is refunded to holders of these units as a return of capital. As capital, it is not liable to income tax but should be deducted from the purchase cost of your investment for capital gains purposes. The aim of operating equalisation is to relieve new investors in the Funds from liability to tax on income already included in the price when purchased.

### Stamp Duty Reserve Tax ('SDRT')

SDRT is payable on dealing in units at a rate of 0.5% on the value of units sold by investors. The charge may be reduced if the number of units sold by investors during each two week reference period exceeds the number purchased or if some or all of the investments held in the Funds are exempt from SDRT. Any SDRT payable will normally be met by the Funds although we reserve the right to deduct an amount from your investment to cover any such charge if it is considered to be fair to all existing and potential unitholders to do so.

 More detailed information can be found in the Full Prospectus which is available on request.

## What charges will I pay?

The following table summarises actual and implied charges which you may expect to pay when investing in the Funds. These are explained in greater detail below.

	UK Absolute Alpha Fund		European Absolute Alpha Fund	
	Class P Units	Class D Units	Class P Units	Class D Units
Maximum initial charge	5.00%	0.00%	5.00%	0.00%
Dealing spread	5.00%	0.18%	5.01%	0.12%
Annual management charge	1.50%	0.75%	1.50%	0.75%
Performance fee	20.00%	20.00%	20.00%	20.00%
Total expense ratio	2.62%	1.87%	2.05%	1.45%

### Purchases, switches-in, ISA transfers-in

You will pay a one-off initial charge of 5.0% which is reflected in the offer ('buying') price of the units. The initial charge is added to the value of the underlying assets and liabilities of the funds to calculate the offer price. Switches within the BlackRock Funds ISA are processed free of charge.


### Sales and switches-out

There are no dealing charges when you come to sell some or all of your investment.

However, see also 'Stamp Duty Reserve Tax'.

### Transfers/Re-registrations

Transfers of units between individuals, or from your direct ownership to a third-party investment manager, or other arrangement, will be completed free of charge. However, such transfers may be liable to Stamp Duty Reserve Tax at 0.50% of the value of the units.

 Contact us for further information or speak to your tax adviser.

### Bid/Offer spread

This is the difference between the buying ('offer') price and selling ('bid') price of the units which reflect that the underlying securities normally have a quoted offer and bid price in the market. The spread can vary but an estimate is included in the table above. This is not a direct charge but represents the cost of buying units at the offer price and subsequently selling at the bid price which is always lower.


### Periodic and ongoing expenses

BlackRock charges an annual fee for managing the Funds which may vary between different unit classes (see the table opposite) and a registrars fee for the administration of the unitholder register and provision of dealing facilities. The Manager also charges a performance fee where the funds outperform a suitable reference benchmark, known as a 'Hurdle'. Further details on how the performance fee can be found in the section entitled 'Other information'.

Other operating costs include the fee of the Trustee, Auditor and Custodian, and other third-party expenses such as tax and legal costs.

All periodic and ongoing expenses are charged directly to the income account of the funds in the first instance, with any shortfall charged to capital. These can vary each year and are set out in full in the Full Interim and Annual Report and Accounts of the funds.

On giving at least 60 days written notice to unitholders, we may increase the initial or annual charge, including the performance fee.

 See also 'Our charges' in the ISA Terms and Conditions.

## How much will I have to pay for advice?

BlackRock is not permitted to provide advice on whether investments are suitable or appropriate for your needs. If you have received advice on your investment from an authorised Financial Adviser, you can authorise us to pay Initial Commission of up to 3%, for instance, on an investment of £1,000, this would be £30. This is not an additional cost to you but is deducted from the initial charge.

In addition, we may pay renewal (or 'trail') commission of up to 0.50% per annum to your Financial Adviser based on the market value of your investment. As an example, this would represent a payment of £5 for an investment valued at £1,000. Renewal commission is paid from our annual management charge. Renewal commission is not payable in relation to regular monthly savings plan investments or any cash held within the ISA.

Your Financial Adviser should provide you with details of their legal identity, address and other contact details. They should also disclose clearly the capacity in which they will act on your behalf, and how you will be charged for the cost of advice regarding your investment in the funds.

We may alternatively pay rebates (also known as retrocessions) out of the annual management charge in connection with an investment in Class A or Class P units to your authorised Financial Adviser or other authorised financial intermediaries in respect of distribution activities relating to the Funds, or to companies within the BlackRock Group. The amount of the rebate is agreed between BlackRock and the Financial Adviser or intermediary but will not exceed the annual expenses for each of the Funds as set out in the table on page 8. On average, the rebate paid out is not expected to exceed 50% of the annual management charge. Refer to the Full Prospectus for further details.

Under FSA rules, your Financial Adviser is obliged to disclose the details of any amounts received from BlackRock in connection with your investment. Alternatively, you may contact us for further information. **It is important that you check with your Financial Adviser whether such arrangements exist as this should be taken into account in determining the total benefit received by your Financial Adviser in connection with the services provided to you.**

## How will charges and expenses affect my investment?

The effect of charges and expenses are illustrated in this document using two different measures:

**Total Expense Ratio ('TER')** reflects the periodic charges and ongoing expenses of the Funds. It does not take into account any initial and exit charges, which are set out separately above, or transaction-based expenditure, for instance, the costs of dealing in the underlying securities. TER is the standard method of disclosing charges by most European collective investment funds. As the BlackRock European Absolute Alpha Fund has not completed a full financial accounting period, we have estimated the TER which is shown in the table in the preceding section.

**Reduction in Yield ('RIY')** which highlights the cost of purchasing and holding an investment over a period of 10 years using an indicative growth rate of 6.0%. The RIY does take account of initial and/or exit charges and illustrates what you might expect to get back through the course of holding the investment. However, this indicative growth rate is not guaranteed and is used only for the purposes of the illustration.

The following tables illustrate the effect of charges on an investment of £1,000 in the Class P units and compares this to what you might get back if you sold your holding. Since the price at which the units are bought and sold is different, the illustration includes the Bid/Offer spread (see above) in addition to the initial charge and the periodic and ongoing expenses.

### BlackRock European Absolute Alpha Fund

At the end of year	Investment to date £	Effect of deductions to date £	What you might get back £
1	1,000	74	985
3	–	128	1,060
5	–	191	1,140
10	–	406	1,380

The last line of the table shows that over 10 years the effect of the total charges and expenses could amount to £406. Putting it another way, this would have the same effect as bringing investment growth down from 6.0% to 3.3%.

### BlackRock UK Absolute Alpha Fund

At the end of year	Investment to date £	Effect of deductions to date £	What you might get back £
1	1,000	77	982
3	–	138	1,050
5	–	211	1,120
10	–	454	1,330

The last line of the table shows that over 10 years the effect of the total charges and expenses could amount to £454. Putting it another way, this would have the same effect as bringing investment growth down from 6.0% to 2.9%.

For the purpose of the RIY calculations, a performance fee accrual based on the 6.0% indicative growth rate is used but it is reduced by the amount of the Hurdle (3-month LIBOR) which as at 30 April 2009 was 1.21%.

Please note this is an indicative figure only and that the actual cost incurred by investors will depend on the future performance of the Fund and changes to LIBOR. In particular, if LIBOR is decreased in the future, this may lead to an increase in the performance fee earned and the overall running costs of the Fund and similarly, any future increases in LIBOR will potentially result in a decrease in the performance fee and overall charges borne by the Fund. The actual TER will therefore be subject to greater volatility than for funds which do not charge a performance fee, although it is intended that the figure will be updated periodically. Based on the actual performance of the BlackRock UK Absolute Alpha Fund to 31 December 2008, the TER as disclosed in the annual Report and Accounts is 1.66%. As the BlackRock European Absolute Alpha Fund has not completed a full financial accounting period, a historic TER is not available.

You should be aware that the annual expenses calculated for the purposes of measuring RIY includes an allowance for tax relief whereas TER does not reflect this.

### **Portfolio Turnover Rate**

As an indicator of the effect of transaction-based expenditure, for instance, the costs of dealing in the underlying investments, a Portfolio Turnover Rate ('PTR') is calculated and expressed as a percentage of the total value of all subscriptions and redemptions over the same period.

In order to calculate the PTR, the value of units issued over the period is added to the value of units cancelled and the total is deducted from the sum of the value of investments purchased and the value of investments sold over the scheme period. The resultant figure is then expressed as a percentage of the average value of the Fund over the period.

As the BlackRock European Absolute Alpha Fund has not completed a full financial accounting period, a PTR figure is not currently available. For the BlackRock UK Absolute Alpha Fund, the PTR based on the last Annual Report and Accounts is 8,171%.

The majority of the Fund's investments are in derivatives instruments which do require full settlement of the notional cost or sale proceeds. The balance of cash is typically placed on short-term deposit resulting in more frequent turnover of the investments. Normally, such investments do not incur dealing costs.

# Other important information

## Performance fee

The performance fee is calculated at each valuation point and is charged at 20% of the amount by which the performance of the Fund exceeds the Hurdle\* and provided the current bid price of the Fund is higher than the High Water Mark\*\*.

\* The Hurdle represents a level of return that the Fund must achieve before any performance fee may be applied. The Hurdle is set quarterly in advance and is based on 3-month LIBOR (London Inter-Bank Offered Rate). At the time of publication of this document, LIBOR is around 1.75% although the actual Hurdle will depend on the calculation basis applicable to funds. This is set out in the Full Prospectus for each of the funds.

\*\* The High Water Mark ('HWM') is a performance measure that is used to ensure that a fee is only charged where the value of the Fund has increased over the course of its financial year (the 'performance period'). It is based on the bid price of the Fund on the last business day of the performance period and where a performance fee is payable. If no performance fee is payable at the end of the performance period the HWM will remain unchanged as of the end of the prior performance period.

If, at any valuation point, the current bid price falls below the High Water Mark and/or the bid price fails to exceed the Hurdle no performance fee will be accrued. This will remain the case until such a fall or 'underperformance' has been made good in the course of the Fund's financial year.

The cumulative performance fee accruals from the beginning of the performance period are included in the unit price. However, until the end of the relevant performance period any underperformance of the Fund against the HWM and/or Hurdle will be set off against any prior outperformance, thereby reducing the performance fee accrual within the Fund. In such circumstances, the reduction of any performance fee accrual may not equate exactly to the total amount of any previously accrued performance fee. Simplistically, this arises because, if the number of units in issue is less than those in issue at the time of accrual, then some of the performance fee previously accrued could have been already paid.

The performance fee is paid from the funds on the last day of each performance period.

If you redeem all or part of your units before the end of the performance period, any accrued performance fee is immediately paid in proportion to the number of units redeemed.

Further information and examples of how the performance fee is accrued and calculated is set out in the product brochure and in the Full Prospectus which are available on request.

## How to complain

If you are not entirely satisfied with any aspect of the service you have received and you wish to complain, please contact the Compliance Officer, BlackRock Fund Managers Limited at the registered office of the Manager (see page 12).

If your complaint is not dealt with to your satisfaction you can refer it to the Financial Ombudsman Service Ltd., South Quay Plaza, 183 Marsh Wall, London E14 9SR or visit the website at [financial-ombudsman.org.uk](http://financial-ombudsman.org.uk).

We are also covered by the Financial Services Compensation Scheme and you may be entitled to compensation from the scheme if we cannot meet our obligations. This depends on the type of business and the circumstances of your claim. Most types of investment business are covered for 100% of the first £30,000 and 90% of the next £20,000 so the maximum compensation payable would be £48,000.

Information on Financial Services Compensation Scheme (FSCS) is available on request, or by contacting the FSCS Limited at 7th Floor, Lloyds Chambers, 1 Portsoken Street, London E1 8BN. Tel: 020 7892 7300.

## Minimum balances

If, as a result, of a sale or transfer of units, the remaining balance of your holding is less than the minimum holding shown on page 4, we reserve the right to sell your units and send you the proceeds as described above. Small balances of £2 or less may be paid away to a UK registered charity at our discretion.

## Unpresented cheques / Unclaimed or other balances

Where the proceeds of a sale of units are transferred to you by cheque and you subsequently fail to present the cheque for payment, we will attempt to contact you in order to facilitate payment of any outstanding balance due to you. However, if we are unable to contact you, after a period of 6 years, such amounts shall be paid into the relevant Fund. No interest will be payable to you in respect of amounts relating to unrepresented cheques or other balances. Any other amounts received by the Manager during the course of any normal business transaction will, where applicable, be held in accordance with the FSA rules in respect of Client Money. No interest will be payable to you in respect of any client money balances held.

## Money laundering prevention

As a result of anti-money laundering legislation, we may require you to provide additional documentation to confirm your identity, even if you are an existing unitholder. Any information provided by you will be used only for the purposes of compliance with these requirements and all original documentation will be duly returned to you. Please note that until we receive the requested documentation, there may be a delay in processing any subsequent redemptions or payment of redemption proceeds until the required documentation is received. Alternatively, we may search electronic data reference sources to access information held electronically concerning your identity, including information held by certain government and consumer agencies. By completing the relevant Application Form(s), you acknowledge that we may at any time initiate a search of information held electronically in order to verify your identity.

# Legal and regulatory information

**Language:** All communications will be in English (UK).

**Law:** If there is a legal dispute, the Law of England and Wales will apply.

**Unit Trust Manager:** The Manager of the funds is BlackRock Fund Managers Limited, (Company No. 1102517) and its principal business is the management of collective investment schemes.

**Registered office:** 33 King William Street, London EC4R 9AS. Authorised and regulated by the Financial Services Authority (FSA No. 119292).

**ISA Manager:** The ISA Manager is BlackRock Investment Management (UK) Limited and its principal business is the provision of investment management services.

**Registered office:** 33 King William Street, London EC4R 9AS. Authorised and regulated by the Financial Services Authority (FSA No. 119293).

**Trustee:** The Trustee of the funds is The Royal Bank of Scotland plc, Trustee & Depositary Services, The Broadstone, 50 South Gyle Crescent, Edinburgh EC12 9UZ. Authorised and regulated by the Financial Services Authority.

**Custodian:** The Bank of New York Mellon (International) Limited (company number 3236121). Registered office: 1 Canada Square, London E14 5AL. Authorised and regulated by the Financial Services Authority.

**Auditor:** Ernst & Young LLP, 1 More London Place, London SE1 2AF.

**Principal distributor:** BlackRock (Channel Islands) Limited, Forum House, Grenville Street, St. Helier, Jersey JE4 8RL.

**Supervisory authority:** The Financial Services Authority, 25 The North Colonnade, Canary Wharf, London E14 5HS.

# Terms and Conditions for the BlackRock ISA

## 1. Definitions

'Application' means a valid application for a Plan made in accordance with Clause 2.

'Application details' means the information contained (a) in the prescribed Application Form completed in writing by an applicant for a Plan or (b) in the case of an Application for an ISA in our written acknowledgement of the information provided by the applicant (as amended to reflect any corrections which the applicant notifies to us).

'Associate' means any company in the group of companies of which BlackRock Inc., Bank of America ('BOA'), Merrill Lynch & Co., Inc., and the PNC Bank N.A. is the holding company (together the 'Group').

'Bank' means The Royal Bank of Scotland plc, or another company within The Royal Bank of Scotland group, or any successor to their business from time to time. The Bank is not our Associate.

'Business day' means any day normally treated as a bank business day in England.

'Custodian' means The Bank of New York Mellon (International) Limited, or any successor to its business from time to time. The Custodian is not our Associate.

'FSA' means the Financial Services Authority, and 'the FSA Rules' means the rules and regulations of the Financial Services Authority, as in force from time to time.

'ISA' means an Individual Savings Account to which, in the case of these Terms and Conditions (as may be amended) means a stocks and shares ISA.

'Manager', 'we' and 'us' all refer to BlackRock Investment Management (UK) Limited, the manager of your Plan (as applicable) (or our replacement under Clause 22). We are authorised and regulated by the FSA.

'Plan' means your stocks and shares ISA (including any previous year Mini ISA, Maxi ISA or Personal Equity Plan with us which has been reclassified as a stocks and shares ISAs in accordance with the Regulations).

'Regulations' means the Revenue regulations and guidance notes for ISA (as may be amended).

'Revenue' means H.M. Revenue & Customs.

'Unit Trust' means authorised unit trusts or other authorised funds held in your Plan, and which have been made available by us as the sole eligible investments for your Plan. All Unit Trusts are operated or advised by us or an Associate.

'Units' means the units of any such Unit Trust.

Words and phrases defined in the FSA Rules will bear the same meanings in these Terms and Conditions.

## 2. Application procedure

### Subscriptions

In order to subscribe for an ISA you must provide a valid application and cash subscription. A valid application must be made by either:

- (i) completing and sending to us the prescribed Application Form;
- (ii) (when this service is available), providing us with the prescribed information over the telephone (telephone calls are usually recorded) or by electronic communication.

Your application is subject to the annual subscription limits for the current tax year as set out in the Application Form. You may only subscribe to one stocks and shares ISA in any one tax year. You may also apply for a cash ISA within the annual limits. We do not, however, offer a cash ISA.

### Transfers

If you wish to transfer to us a stocks and shares ISA held with another manager, you must first complete the relevant transfer Application Form. In order to effect the transfer, your other manager will sell the investments held in the ISA being transferred, and transfer the net cash proceeds to us. We will then invest these cash proceeds in accordance with Clause 7 below.

### All Plans

By making an application you accept your agreement with us that the Plan will consist of the information whether supplied by us or you (including but not limited to personal details, declarations and authorities) contained on the Application details together with these Terms and Conditions, the Full Prospectus of each Unit Trust, and the Simplified Prospectus (the 'Agreement') as amended from time to time. You also agree to the appointment by you of the Bank and the Custodian to provide custodial and banking services required to ensure the operation of your Plan, and you authorise us to provide instructions to the Custodian on your behalf insofar as they are required to carry out our duties as manager of your Plan. We will be responsible for ensuring the Custodian properly carries out its duties in respect of your Plan.

Under the FSA Rules we classify you as a retail client.

In order to maintain the ISA status of your Plan, we reserve the right to transfer your investment into other funds within our range, for example, as a result of a scheme of arrangement or a termination affecting the Unit Trusts in which your Plan is invested. We shall write to let you know in advance of any such proposals.

In the event of any conflict in interpretation between the Application details, the Terms and Conditions, the Full Prospectus, and the Simplified Prospectus, the Terms and Conditions will take precedence.

We reserve the right not to accept your application to us for a Plan.

## 3. Form of subscription or transfer

### Subscription

Before your ISA can be opened a valid cash subscription must have been received.

For lump sum investors a valid cash subscription must be made by cheque, valid from the date we receive and accept it and provided it subsequently clears; or by debit or credit card (subject to availability) valid from the date we receive your transaction authorisation. For monthly investors a valid cash subscription must be made by direct debit, valid from the date we receive your mandate provided a subsequent cash transfer is made.

If your cheque subsequently fails to clear, or your direct debit instruction is returned unpaid, we may cancel the Application and any transactions carried out up to that date. You agree to indemnify both us and the Custodian against any losses, costs or expenses incurred directly or indirectly as a result of investment and subsequent cancellation.

### Transfers

Before your Plan can be opened a valid cash transfer must have been received by us from your existing Plan manager. It will then be invested in the Unit Trust(s) specified in your Application Details.

## 4. Commencement of your Plan

Subject to the Regulations, the commencement date will be the date your Application and cash subscription or transfer is accepted by us.

## 5. Management of your Plan

Your Plan will be managed by us in accordance with your instructions provided in your Application details and the Regulations.

## 6. Cash in your Plan

You may instruct us to sell Units and hold the proceeds in cash temporarily pending reinvestment within your Plan. Such instructions must clearly state proceeds are to be held in the Plan pending your reinvestment instructions.

Cash in your Plan must be held for the purpose of investment in qualifying investments. If such cash is held without any apparent intention of investment there is a risk that the Revenue will require the cash to be returned to you or for us to void your Plan. We, our Associates and the Bank may benefit from the aggregation of client balances held as stated above.

Cash held in your Plan will be held by the Bank or another appropriate institution in our name in trust for the benefit of your Plan in accordance with the FSA Rules on client assets.

### Interest

Interest earned on such cash, including cash representing a cheque issued by us which you have not yet cashed, will not be credited to your ISA. You agree to waive the right to receive interest which you would otherwise have under the FSA Rules on client assets.

## 7. Timing of Transactions and Order Execution

Subject to Clause 4 we will invest your cash in the Unit Trusts specified in your Application details.

We will endeavour to get the best market prices on your behalf in accordance with the applicable requirements on best execution in the FSA Rules.

### Subscriptions

#### Lump sums

All instructions received before 12 noon will be dealt with by reference to that day's Unit prices. Instructions received after 12 noon will be dealt with using the following day's Unit prices. Switch instructions will be treated in the same fashion.

#### Monthly savings

For monthly investments the price for the relevant Units will normally be determined at the valuation point on the day each direct debit payment is made.

### Transfers

The price of the relevant Units will be determined at the next valuation point for such Units following our receipt of the valid cash transfer.

### Best execution

We are required to seek to achieve the best possible result for you when dealing with any order to buy or sell financial instruments, such as Units, and to set out our arrangements for this purpose in an 'order execution policy'.

We are required to consider various factors when deciding how best to deal with orders from clients. These factors include price, cost, speed, likelihood

of execution and settlement, size, nature and other relevant matters. As we have classified you as a retail client we will usually consider price and cost to be the most important factors for you. The price of investment in Units will be the 'open market' price (as referred to in the Revenue Guidance notes for ISA managers) that can be obtained.

Our best execution obligations are also applied in a manner that takes into account the different circumstances associated with the execution of orders related to investments held within an ISA, specifically the rules of the Revenue.

To achieve the best possible result for you we must ensure that any deal that we execute on your behalf is in accordance with the Revenue rules: specifically that an investment will be a qualifying investment for the purposes of the ISA rules, that it will not breach any of the investment limits referred to in the Application details and that title to the ISA investments will be registered appropriately.

For orders relating to Units, we believe that to achieve the best possible result for you the only method currently available for dealing is to transmit orders directly to BlackRock Fund Managers Limited ('BFM') for execution. BFM will be deemed to be the sole 'execution venue' for these purposes. There are existing systems and controls in place between ourselves and BFM that allow us to comply with our Revenue obligations and allow us to obtain the best possible result when executing transactions for you.

We understand that there may be other venues where the prices of Units may have a lower total consideration (for example, a lower or no initial charge) from dealing only with BFM. We do not believe we will be able to obtain the best possible result for you, and comply with the Revenue rules, by executing deals through another venue at this time. Where there is only one execution venue that we can use in practice to deal with your orders, we will have to use that venue regardless of the impact of the execution factors listed above.

We are continuing to review the arrangements that we have in place with our counterparties to assess their ability to provide best execution on a consistent basis and will implement any necessary changes to our order execution policy from time to time. This will involve reviewing whether using other means to route orders would be feasible (which would allow us to comply with our obligations to you under the rules of the FSA and Revenue) and would generate a better result for you.

Please note, any specific instructions from you as to how your orders are dealt with may prevent us from taking the steps that we have designed to obtain the best possible result in the circumstances.

By agreeing to these Terms and Conditions, you will be giving:

- your prior express consent to the execution of orders (which includes execution of orders in the underlying investments of the Unit Trusts) outside a 'regulated market' or a 'multilateral trading facility' (as those terms are defined in the FSA Rules) where this is appropriate; and
- your consent to our order execution policy as summarised above.

## 8. Our charges

We do not make a charge for managing your Plan. However, we or our Associate are paid an annual management charge from the Unit Trusts and the offer price of your Units may also include an initial charge payable to us or our Associate. Annual and initial charges, registrar's fees, and other expenses payable to us or an Associate (and the frequency of such payments) are set out in the relevant Simplified Prospectus and Full Prospectus of each Unit Trust.

We may charge you for providing the unitholder information described below but currently do not do so. We will give you 30 days prior notice before a charge is introduced. We may rebate or waive some or all of our fees and charges and we may pay commissions to brokers or agents.

## 9. Your income

Income in respect of distribution Units will be credited to your Plan on the relevant distribution dates and paid out to you immediately. For Funds paying interest distributions, payments are made gross and include an amount paid by us equal to the income tax deducted. We are entitled to keep an equivalent amount once recovered from the Revenue.

Net income in respect of accumulation Units is automatically reinvested on the relevant ex-distribution dates to increase the value of the Units. Repayments of tax in respect of accumulation Units are credited to your Plan when received from the Revenue and reinvested in the relevant Unit Trust (by the issue of additional Units). An initial charge is not levied on this reinvestment.

## 10. Valuations and Unit Trust reports

A combined valuation and transaction statement will normally be sent to you at 6-monthly intervals within 25 Business Days of 5 April and 5 October, respectively or on a date otherwise notified to you. We will also arrange for you to receive the annual and semi-annual manager's report in respect of each Unit Trust. Contract notes will be issued for each lump sum investment, transfer in or redemption, but not after monthly investments.

## 11. Voting

You are entitled to attend and vote at meetings of unitholders of each Unit Trust. You will receive notice of such meetings, and any additional information sent to unitholders (including the Short Reports of the Unit Trusts). Copies of the long forms Report and Accounts of the Unit Trusts are available on request. There is currently no charge for this service.

## 12. Complaints procedure

If you wish to complain about your Plan please contact the Compliance Officer at BlackRock Investment Management (UK) Limited, 33 King William Street, London EC4R 9AS. If you would like to receive written details of how we handle complaints, please contact us. If you are not entirely satisfied with the way we handle your complaint, you can complain to the Financial Ombudsman Service Ltd, 183 Marsh Wall, London E14 9SR.

Making a complaint will not prejudice your right to take legal proceedings. Information on the Financial Services Compensation Scheme is available on request, or by contacting FSCS Limited at 7th Floor, Lloyds Chambers, 1 Portsoken Street, London E1 8BN.

## 13. Taxation

We may make all appropriate claims, conduct appeals and agree on your behalf liabilities for and reliefs from tax in respect of your Plan, and we may account to the Revenue for any tax arising.

## 14. Withdrawals

You may at any time request in writing (or by telephone or by electronic communication when available) the withdrawal of cash from your Plan. This will normally be completed by selling an appropriate number of Units. You must inform us of the Units you wish to be sold, otherwise we will normally raise an equal value from each Unit Trust, or contact you for further instructions if this is not possible. Following receipt of your instruction(s), we will sell the relevant Units at the next valuation point, and transfer the net cash proceeds to you within four Business Days. Proceeds will be held in accordance with the FSA Rules on client assets, however no interest will be paid on such monies.

Alternatively, you may request that we transfer the Units specified in your withdrawal request into your name instead of selling them and within the timescale you stipulate subject to a minimum period of five Business Days. Any withdrawal must have a value of at least £250.

## 15. Transfers out

You may at any time request in writing, using an appropriate form of transfer that complies with the Regulations, that we transfer your Plan to another manager who has consented to such transfer.

For the transfer of subscriptions received by us in the current tax year, we may only transfer cash or Units representing the whole value of your ISA subscriptions. However, you may transfer investments in your ISA representing previous tax year's subscriptions in whole or in part. You may not transfer your stocks and shares ISA to a cash ISA.

You must inform us of the Units you wish to be sold to effect the transfer, otherwise we will normally raise an equal value from each Unit Trust, or contact you for further instructions if this is not possible.

Any partial transfer of your ISA must have a value of at least £250.

Following receipt of your valid transfer instruction(s) we will sell the Units at the next valuation point, and transfer the net cash proceeds to your new Plan Manager within four Business Days of that date. Alternatively, you may request that we transfer the Units directly to your new Plan Manager instead of selling them and within the timescale you stipulate subject to a minimum period of five business days, and receipt of sufficient information from your new Plan Manager to complete the transfer. Either form of transfer will be carried out as soon as reasonably practicable.

## 16. Termination of your Plan

You may request at any time that we terminate your Plan, such termination to be effective upon our receipt of your written request. We may terminate your Plan by giving you one month's written notice, effective upon the expiry of the notice period. Once termination is effective, we will normally sell all your Units at the next valuation point, and transfer the net cash proceeds to you within four business days. Proceeds will be held in accordance with the FSA Rules on client assets, however no interest will be paid on such monies.

Alternatively, you may request that we transfer the Units into your name instead of selling them. This will be carried out as soon as reasonably practicable.

If you instruct us to transfer all the investments in your ISA to another manager, your Plan with us will be terminated.

## 17. Consequences of withdrawal, transfer or termination

Any withdrawal, transfer or termination of your Plan will be subject to the completion of outstanding transactions and any deductions we may be entitled or bound to make under the Regulations or in respect of our fees or charges.

We are also entitled to close out, terminate or reverse any transaction or enter into any other transaction if it reduces or eliminates any liability existing as a result of a commitment entered into by us for your Plan.

There may be delays in transferring the entire net cash proceeds because repayments of tax credits may not have been received before the transfer is made. Cash in respect of a withdrawal or termination will not be transferred to a third party except where you have specifically instructed us to make such transfer to your authorised Financial Adviser.

Your Plan will cease to qualify for tax exemption under the Regulations from the date of your death. The investments will be transferred to your personal representatives once a sealed grant of probate (or equivalent) has been obtained. The total value of your Plan forms part of your estate for inheritance tax purposes.

Where upon the withdrawal from, or termination of your Plan, the proceeds are transferred to you by cheque and you subsequently fail to present the cheque for payment, the proceeds will be held in a Client Money account in accordance with Clause 14 or Clause 16, as applicable. Reasonable efforts will be made to contact you at the address reflected in our records in order to facilitate payment of any outstanding balance due to you. However, if we are unable to contact you, after a period of 6 years, such amount will cease to be treated as client money and transferred to an account in our name. By completing the relevant Application Form(s), you consent to this course of action.

If, as a result of a transfer or withdrawal from, or termination of your Plan, a holding in any Unit Trust is less than £500, we may arrange to sell the holding and remit the proceeds to you.

If, as a result of a transfer or withdrawal from, or termination of your Plan, a small balance, meaning an amount of £2 or less, is held or accrued within your Plan, we shall have absolute discretion to realise this balance and donate the proceeds to a UK registered charity selected by us.

#### **18. Cancellation rights**

You are allowed 14 days in which to cancel your Plan if you received advice from an authorised person through whom the business is placed.

The 14 days commences upon your receipt of the contract note or confirmation letter. You should note that exercising your right to cancel does not necessarily mean that you will receive back the amount you invested.

If the purchase price of the Units has fallen you will receive back an amount based on the purchase price next calculated following our receipt of your cancellation notice.

Proceeds from cancellation will be retained in a bank account subject to the FSA Rules on client assets 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.

#### **19. Ownership and administration**

Units in your Plan will be registered in your name and ours jointly but they will at all times be beneficially owned by you. We will not lend your Units to anyone else or use them as security for a loan or require you to supplement subscriptions to your Plan. At present Units are in registered form only so no Unit certificates or other physical evidence of title will exist.

#### **20. Potential conflicts of interest**

We have the right, without giving you prior notice, to effect transactions in which we or an Associate has a material interest or duty without accounting to you for any commission, profit, or other remuneration received by us or any Associate. A summary of our Conflicts of Interest Policy is set out in the Schedule to these Terms and Conditions. The Full Prospectus of the Unit Trust(s) contain further disclosures on potential conflicts of interest that may arise between us through management of your Plan. Such disclosures are deemed to form part of this Agreement. A free copy of the Full Prospectus is available from us on request.

#### **21. Other disclosures**

We or any Associate may act for you as either principal or as agent, including in respect of transactions in which we are also acting as agent for the account of other customers and Associates.

#### **22. Delegation and assignment**

You cannot assign or transfer this Agreement to anyone else. We may delegate any of our functions and responsibilities under this Agreement to another party (including an Associate) without your prior consent provided such delegation is in accordance with the Regulations.

We may also appoint an Associate to replace us as manager of your Plan (prior notice to be given to you if reasonably practicable) and employ other agents to perform, or advise us in relation to the performance by us of any of our functions and responsibilities.

#### **23. Liability**

We, or any Associate, the Bank or the Custodian will not be liable in respect of any acts or omissions of any person, firm or company through whom transactions are effected for your account.

We, or any Associate, the Bank or the Custodian will not be liable for any loss incurred by you except to the extent that any such loss is directly caused by our respective negligence, wilful default or fraud. Nothing under this Agreement shall restrict any liability we, or any Associate, or the Bank may have under the regulatory system established under the Financial Services and Markets Act 2000. No warranty is given by us as to the performance or profitability of the Units.

#### **24. Confidentiality**

We will not disclose without your written authority any confidential information relating to your Plan received from you or third parties during the course of this Agreement to any person other than an Associate or its or our agents or an intermediary appointed by you. However, we will disclose confidential information relating to your Plan if so required under any applicable law or regulation, or required by the FSA, or by the Revenue.

#### **25. Data protection**

Your personal details will be held by us in accordance with current data protection law for the purposes of carrying out our agreement with you. This may include the transfer of such data (i) to other members of the BlackRock group, the BOA group, the Merrill Lynch group or PNC group and (ii) to other businesses (in each case including their offices based in countries having different standards of protection for personal data 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.

If you wish to exercise your rights to receive a copy of the information that we hold about you, please write to us at 33 King William Street, London EC4R 9AS. If you invest via an agent, we may pass details of your investment to your agent from time to time.

#### **26. Your instructions**

All of your instructions or authorities in connection with this Agreement must be made in writing in respect of applications, switches and withdrawals. We will not currently act upon instructions made by facsimile or e-mail. Instructions will be deemed to have been given to us only when we have received them. We may acknowledge instructions verbally or in writing.

#### **27. Events outside our control**

We have no responsibility or liability to you for any loss or damage caused by us or suffered by you as a consequence of our failure to perform our obligations resulting from any breakdown, failure or malfunction of any telecommunications or computer services or systems, industrial disputes, acts or regulations of any governmental or supranational bodies or authorities, or any acts or circumstances not reasonably within our control.

#### **28. Notification of Plan becoming void, or restriction on further subscriptions**

If at any time you notify us or we become aware of any information that means you are ineligible to open or hold a Plan under the Regulations we will be required to notify you in writing that your application for, or holding of, a Plan is void. If such information means that you no longer qualify with the residency requirement for an investor set out in the Regulations you may continue to hold your Plan, but we cannot accept further subscriptions made by you after the date you ceased to qualify.

#### **29. Amendment and Governing Law**

Except in exceptional circumstances, any amendment proposed by us will be notified in writing to you and will take effect on the date specified (not being less than one calendar month after the issue of the notice) unless you, in the meantime, notify us to the contrary. This Agreement is governed by and construed in accordance with the laws of England and Wales.

# Schedule to the Terms and Conditions for the BlackRock ISA

## Summary of Conflicts of Interest Policy

The EU Markets in Financial Instruments Directive (MiFID) came into force on 1 November 2007. In line with the new legislation the Manager has reviewed its policies regarding the identification of circumstances in which a conflict might arise affecting the interests of one or more clients.

This document sets out a summary of these conflicts and the procedures and controls that have been put in place to manage them.

## Policy

The Manager recognises that, as a global fund manager, when acting in the best interests of its clients, conflicts of interest may arise. Any investment manager is faced with potentially conflicting duties as soon as it begins to act for more than one client, particularly when it is part of a large financial group. The Manager regularly provides training to its employees covering conflicts of interests.

This summary describes three categories of conflicts of interest and how the Manager manages them:-

- ▶ conflicts that arise from engaging in transactions on behalf of its clients with companies affiliated with the Manager or in which the Manager or its affiliates have a substantial interest;
- ▶ conflicts that arise from the Manager acting on behalf of multiple clients; and
- ▶ conflicts that arise between the interests of its clients and those of its employees.

Further information regarding conflicts of interest is available on request.

## Identification and Management of Conflicts

### Conflicts with BlackRock or its Associates

The Manager is ultimately owned by BlackRock, Inc., which, due to its ownership structure, is associated with Bank of America and its subsidiaries ('BOA'), Merrill Lynch & Co, Inc., and its subsidiaries ('Merrill Lynch'), a global, full service investment banking, broker-dealer and financial services organisation, and with the PNC Financial Services Group, Inc., and its subsidiaries ('PNC') which is a large diversified financial services company, each based in the United States. Merrill Lynch and PNC each own less than 50% of BlackRock Inc.'s outstanding stock. BOA is the parent company of Merrill Lynch. While Merrill Lynch and PNC are represented on BlackRock Inc.'s Board of Directors, BlackRock operates independently from BOA, Merrill Lynch and PNC and has independent majority on its Board of Directors.

BOA, Merrill Lynch and PNC may have direct and indirect interests in the financial instruments and markets in which the Manager invests for its clients and may be used, where permitted by regulation and the client's contract, to effect transactions with those clients. They may act in a variety of roles including those of principal broker, underwriter, agent or lender in connection with transactions in which the Manager's clients have an interest and will receive remuneration or other benefits in connection with these roles.

Transactions, including those involving placings and/or new issues, entered into with associates are conducted in line with BlackRock's policies and procedures designed to ensure the fairness and reasonableness of those transactions and in accordance with the Manager's obligation to obtain the best possible result for its clients' transactions.

As well as physical segregation between BlackRock and each of BOA, Merrill Lynch and PNC, employees are supervised separately and there are no reporting lines from BlackRock employees into BOA, Merrill Lynch or PNC. BlackRock's securities holdings are accessible only by BOA's and Merrill Lynch's

Compliance Department and only for the purposes of fulfilling their regulatory reporting requirements.

BlackRock does not have a proprietary trading business and only invests for its own account in limited circumstances, such as to seed investment vehicles sponsored by BlackRock and with respect to the management of 'box' accounts to facilitate the subscription and redemption process. BlackRock does not compete with client transactions. BlackRock does not invest either in its own shares or in PNC shares on behalf of its clients, except in limited and defined circumstances, such as investing for index tracking funds.

Merrill Lynch has agreed to reduce its ownership in BlackRock's voting stock to less than 5% of outstanding voting shares and BlackRock may invest in BOA and Merrill Lynch shares on behalf of its customers in accordance with client guidelines and BlackRock's compliance programme.

The Manager may purchase on behalf of clients, or recommend to clients that they invest in, collective investment schemes, structured products or other pooled vehicles where a BlackRock company, BOA, Merrill Lynch, PNC or a BlackRock company acts as the manager, operator, issuer, banker, adviser or trustee or in any other capacity. BlackRock discloses these arrangements and the associated fees.

The same portfolio management team may have mandates which result in establishing, holding or unwinding opposite positions (i.e. long and short term) in the same security at the same time for different customers. This may be done only in accordance with established policies and procedures designed to ensure the presence of an appropriate fiduciary rationale and to achieve execution of opposing transactions in a manner that does not systematically advantage or disadvantage any particular set of customers.

### Conflicts from acting for Multiple Clients

The Manager gives advice and makes investment decisions that it believes are in the best interests of its clients. However the advice given or investment decisions made for one client may differ from, and potentially conflict with, that for other clients.

To manage these conflicts, the Manager has put in place policies and procedures covering investment allocation and customer order priority designed to ensure that all of its clients are treated fairly. Financial instruments dealt on behalf of a client may be aggregated with deals for other clients. In these cases, if it is not possible to trade the entire volume of financial instruments at one price, the various prices may be averaged and the clients involved will receive the average price for the deal. The Manager's order execution policy requires it to take all reasonable steps to seek the best possible result on behalf of its clients when executing trades, generally known as best execution.

The Manager has procedures designed to ensure that any financial instruments bought and sold between one client and another, commonly known as a cross trade, are executed at the appropriate market price and that the transaction is in the best interest of both clients.

The Manager has entered into a number of Commission Sharing Arrangements (CSA) with executing brokers in relation to equity trading. Under these arrangements a portion of the commissions paid to the executing broker on trades executed under the CSA will either be passed to research brokers selected by the Manager or used to provide research and / or execution services which assist the Manager in providing its investment management services, thus benefiting its clients. To the extent that the Manager

uses clients' commissions to obtain research or execution services, the Manager will not have to pay for such research or services itself.

The Manager receives management fees for some accounts based upon assets under management and for other accounts based upon its performance in managing the accounts. While the Manager may benefit more from above average performance in the performance fee accounts as compared with accounts for which it receives asset based fees, its procedures require the fair and equitable allocation of financial instruments among these accounts. All transactions are subject to the Manager's obligations to obtain best execution on behalf of its clients and are monitored on an ongoing basis.

The Manager offers its proprietary investment systems and analytical tools, as well as complementary advisory and outsourcing services, to institutional investors under the brand name BlackRock Solutions. This includes a variety of risk management and financial advisory services. BlackRock Solutions also offers transition management services, assisting in portfolio restructuring for institutional investors which aims to minimise the potential costs and manage the risks to implement the most efficient trading solutions for any transition.

BlackRock Solutions will therefore have access to information about its clients' holdings and transactions, and make decisions on trading in financial instruments which may conflict with the transactions carried out on behalf of BlackRock's other clients. To control this conflict BlackRock has implemented Chinese Walls to prevent the flow of information between BlackRock Solutions and its fund management business.

### Conflicts between clients and employees

Conflicts may arise where employees have a personal financial interest in financial instruments which may be held, bought or sold for clients. Conflicts may also arise in relation to external interests including directorships or where employees receive any gifts, entertainment or other inducements in relation to the financial instruments or companies that the Manager has a relationship with or in which it invest for clients.

The Manager has personal account dealing rules designed to ensure that conflicts between an employee's trading and trading undertaken on behalf of clients are avoided. No employee may engage in any other employment or provide services to any other person unless specifically approved by the Manager. This includes external directorships and any other external business relationships that are likely to put the employee in a position where they may have a conflict of interest either with the Manager or its clients.

The Manager also has procedures in place covering the receipt of personal gifts or other benefits that may be accepted by employees. No employee may accept from any person any gift or other benefit that cannot properly be regarded as justifiable in all the circumstances.

Conflicts may arise due to an employee's remuneration and the way in which this is calculated. BlackRock remuneration arrangements for portfolio managers are structured to ensure that they reward both short term and long term performance. These take into account performance both on an individual and on an investment team basis and include contributions to the business objectives and success of the investment team. Where portfolio managers manage a number of accounts, which may include performance fee accounts, the remuneration arrangements take into consideration all of the accounts for which a portfolio manager is responsible.

### **Important information**

This document is 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. If you are in any doubt as to the suitability of any of our Funds for your investment needs, please contact your Financial Adviser. You should remember that past performance is not a guide to future performance. The value of investments and the income from them may go down as well as up and are not guaranteed. You may get back less than the amount you invested. Telephone calls are usually recorded for your protection.

### **FOR MORE INFORMATION**

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