

### BlackRock Income Strategies Trust plc

The Company's investment objective is, over the medium term (5 to 7 years), to aim to preserve capital in real terms and to grow the dividend at least in line with inflation. The Company will target a total portfolio return of UK Consumer Price Index ("CPI") plus 4 per cent. per annum (before ongoing charges) over a 5 to 7 year cycle.



Details about the Company are available on the website at blackrock.co.uk/bist

### Performance record

### FINANCIAL HIGHLIGHTS

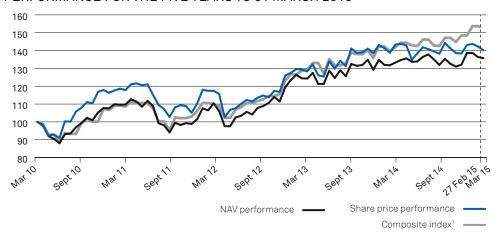
Assets	31 March 2015	30 September 2014	Change %
Net assets (£'000)1	426,721	426,865	-0.03
Net asset value per share (debt at market value)	142.08p	143.30p	+0.52
Ordinary share price	131.25p	134.00p	+0.52
Discount to net asset value	7.62%	6.49%	

<sup>1</sup> Before provision for the first interim dividend of 1.5p per share, paid on 10 April 2015.

<sup>2</sup> With income reinvested.

Revenue	Six months ended 31 March 2015	Six months ended 31 March 2014	Change %
Net revenue return after taxation (£'000)	7,883	9,296	-15.2
Revenue return per share	2.73p	3.21p	-15.0
Dividends:			
1st interim dividend	1.50p	1.485p	+1.0
2nd interim dividend	1.67p	1.53p	+9.2

### PERFORMANCE FOR THE FIVE YEARS TO 31 MARCH 2015



<sup>1</sup> From the date of transfer of management to BlackRock on 27 February 2015, the composite index is no longer the benchmark for the Company.

Sources: BlackRock and F&C Investment Business Limited.

### Chairman's statement

### for the six months ended 31 March 2015

### HIGHLIGHTS:

- Adopted new multi-asset investment approach
- Appointed BlackRock Fund Managers Limited
- Successfully migrated shareholders invested through F&C Savings Schemes
- Announced Q2 2015 Dividend of 1.67p

Dear Shareholder.

I am pleased to present my first report as Chairman of your Company. The last few months have been among the most significant in our 117 year history with a number of important developments:

### New multi-asset investment approach adopted:

On 26 February this year, shareholders voted overwhelmingly to adopt a new multi-asset investment objective and policy. This will, we believe, provide shareholders with a more stable long term return, one which seeks to deliver greater capital stability than an equity only portfolio, with an objective of achieving a total portfolio return of UK Consumer Price Index ("CPI") + 4 per cent. per annum (before ongoing charges) over the medium term (five to seven years). In adopting this new objective, your Board has committed itself to delivering long term real dividend growth and capital preservation for shareholders.

### Change of name:

As announced on 26 February 2015, and to reflect the new investment policy and objective outlined above, the Company's name was changed to BlackRock Income Strategies Trust plc.

### BlackRock Fund Managers Limited appointed:

With effect from 27 February 2015, BlackRock Fund Managers Limited has been appointed as the Company's Alternative Investment Fund Manager in place of F&C Investment Business Limited. BlackRock Investment Management (UK) Limited has been appointed as Company Secretary in place of F&C Investment Business Limited. Following the appointment of BlackRock, the Company's assets have now been aligned in accordance with the Company's new investment objective.

### Migration from F&C Savings Schemes:

Shares in the Company ceased to be available through the F&C Savings Schemes with effect from 30 April 2015. There were circa 73 million shares held in these plans as at 31 January 2015, which have now been sold, transferred to other savings scheme and ISA providers, including BlackRock, or transferred to the Company's main register. I am pleased to report that the shares which were sold were successfully placed with other shareholders, thereby avoiding the necessity for the Company to make on-market share buy backs.

### Chairman's statement continued

### for the six months ended 31 March 2015

### Positioned for growth:

Following the introduction of freedoms in the retirement savings market, your Board believes that the new investment policy of your Company will prove attractive for those seeking long term stable income. We intend that this, combined with BlackRock's investment management and marketing activities, will result in higher demand for the shares which will, in turn, lead to a re-rating of the shares by narrowing the current discount to Net Asset Value towards zero. We believe that it is in the best interests of all of our shareholders that the shares trade at a price as close as possible to their underlying cum income Net Asset Value per share (including debt at market value) ('NAV'). Your Board will continue to monitor the level of the discount to NAV at which the Company's shares trade and may, at its discretion, utilise the authority granted by shareholders in February to implement a tender offer by 31 August 2015 for up to 20 per cent. of shares in issue at that time (excluding any shares held in treasury) at a two per cent. discount to the cum income Net Asset Value per share (debt at market value) less costs and expenses. In exercising its discretion to implement this tender offer, your Board will be mindful of the best interests of shareholders as a whole as well as market conditions prevailing at that time.

### **Board changes:**

After serving 5 years as Chairman, Lynn Ruddick stepped down at the conclusion of the recent AGM. This was a requirement of the UK Listing Authority, since she is a director of another BlackRock managed investment trust. I am delighted that she agreed, however, to continue to serve as a Director, and was so elected at the AGM. I would like to take this opportunity on behalf of your Board to thank Lynn for leading the Company so steadily and successfully through such an exciting period of change.

### **PERFORMANCE**

Markets were broadly positive in the 6 months ending 31 March 2015, with the FTSE All-Share Index returning +5.3% and the FTSE World ex UK Index +13.1%, reflecting the continued support to equities from accommodative central bank policies. The moderation of interest rate expectations has impacted bond yields, which remain at very depressed levels historically. Against this backdrop of low interest rates, inflation remains at very low levels in the UK, with the CPI remaining static in both March and April 2015. Towards the end of the period under review concerns began to emerge about the sustainability of global growth, particularly in China, given a strong US dollar, and geo-political fears in central Europe and the Middle East. The result was increased volatility and, notwithstanding the market reaching new highs, a more cautious outlook.

Over the 6 months to 31 March 2015 both the NAV and share price returned 0.5%. As the portfolio was managed by both F&C and BlackRock during the period, the table below analyses the Company's NAV and share price performance for the six months to 31 March 2015 to show the respective contribution from each of the Managers over this period against their respective benchmark or target index. You will find separate Investment Manager reports by both F&C and BlackRock, covering their respective periods of responsibility, on pages 9 to 15 of this report.

Performance since BlackRock was appointed on 27 February 2015 reflects the impact of realigning the portfolio at a time when the market was notably volatile and our sensitivity to equities was reduced towards the end of the month following legacy portfolio disposals. In effect we tracked the market lower by approximately -1.7% whilst, at the same time, the market value of the Company's liability to its bond holders increased as interest rate expectations moderated, further impacting performance by -0.3%.

		NAV		Target Ir	ndex
Period	Manager	performance <sup>1</sup>	Share price	Name	%
1 October 2014 to 26 February 2015	F&C	2.6%	2.5%	Composite Benchmark <sup>2</sup>	7.6%
27 February 2015 to 31 March 2015	BlackRock	-2.1%	-2.0%	CPI plus 4%	0.5%
6 months to 31 March 2015		0.5%	0.5%		N/A

- 1 Based on cum income NAV with debt at market value and with income reinvested.
- 2 Composite index of 80% FTSE All-Share Index and 20% FTSE World ex UK Index.

In the period since 31 March and up to close of business on 20 May 2015 the NAV has increased by 1.8% and the share price has increased by 4.0%.

### **GEARING**

Gross gearing in the portfolio as at 31 March 2015 was approximately 14% via the Company's 6.25% Bonds 2031. The portfolio is not currently geared through the use of derivatives but the Manager will consider increasing exposure when suitable opportunities arise.

### **EARNINGS AND DIVIDENDS**

The Company's revenue earnings for the period were 2.73p per share (2014: 3.21p). The decrease in earnings reflects the fact that the portfolio was managed throughout most of the period with a view to the likelihood of substantial further changes given the forthcoming change in Manager, including a reduction in gearing with the repayment

### Chairman's statement continued

### for the six months ended 31 March 2015

of the Company's revolving credit facility of approximately £20 million. In addition, a convertible bond holding in the mining sector had to be written off and this contributed to a decline in fixed interest income for the period.

Following the successful transition to BlackRock as Manager, your Board expects that the new investment policy will continue to offer an attractive level of income via multiple sources. We expect to continue to pay dividends at least at the current level and to grow the dividend in line with inflation.

A first quarterly interim dividend of 1.5p per share was paid on 10 April 2015 (2013: 1.485p) and your Board has declared a second interim dividend of 1.67p per share (2014: 1.53p) which will be paid on 10 July 2015 to shareholders on the register on 12 June 2015.

Your Board intends to spread the Company's distributions to shareholders as smoothly as possible across the year. For the year to 30 September 2015, we aim to do this by setting a second quarter dividend rate that will be constant for each remaining quarter of the year. with any adjustments that may be required to the total dividends paid for the year to be made to the fourth quarter dividend. Going forward, from 1 October 2015, it is your Board's intention to set a quarterly dividend rate in the first quarter that will be paid across the first three quarters of the year, with any adjustments that may be required to the total dividends paid for the year to be made to the fourth guarter dividend.

### OUTLOOK

Following the successful migration or placing of the Company's shares held in the F&C Savings Schemes, your Board is excited about the next phase in our strategy – to capture the opportunities presented by the radical changes in the pensions market. The end of compulsory annuitisation means that thousands of investors will now have flexible access to their savings via drawdown. We believe that your Company's focus on dividend growth and capital preservation should appeal to those seeking long term stability, and we look forward to the future with confidence.

James M Long Chairman 22 May 2015

### Interim management report and responsibility statement

The Chairman's Statement on pages 3 to 6 and the Investment Managers' Report on pages 9 to 15 give details of the important events which have occurred during the period and their impact on the financial statements.

### PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks faced by the Company can be divided into various areas as follows:

- Market:
- Investment and strategic;
- Regulatory;
- Operational; and
- Financial.

The Board reported on the principal risks and uncertainties faced by the Company in the Annual Report and Financial Statements for the year ended 30 September 2014. A detailed explanation can be found in the Strategic Report on page 11 and in note 18 on pages 46 to 51 of the Annual Report and Financial Statements which are available on the website maintained by BlackRock at blackrock.co.uk/bist.

Notwithstanding the changes in the Company's investment objective and strategy, in the view of the Board, there have not been any changes to the fundamental nature of these risks since the previous report and these principal risks and uncertainties are equally applicable to the remaining six months of the financial year as they were to the six months under review.

### **GOING CONCERN**

The Directors, having considered the nature and liquidity of the portfolio, the Company's new investment objective and the Company's projected income and expenditure, are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and is financially sound. For this reason, they continue to adopt the going concern basis in preparing the financial statements. The Company has a portfolio of investments which are considered to be mostly readily realisable and is able to meet all of its liabilities from its assets and income generated from these assets. Ongoing charges (excluding interest costs and taxation) are approximately 0.65% of net assets.

### Interim management report and responsibility statement continued

### RELATED PARTY DISCLOSURE AND TRANSACTIONS WITH THE AIFM AND INVESTMENT MANAGER

F&C Investment Business Limited ('F&C') provided investment management and other services to the Company for the period up until 27 February 2015 and was appointed as the Company's AIFM on 22 July 2014.

BlackRock Fund Managers Limited (BFM) was appointed as the Company's AIFM in place of F&C with effect from 27 February 2015. BFM has (with the Company's consent) delegated certain portfolio and risk management services, and other ancillary services to BlackRock Investment Management (UK) Limited (BIM (UK)).

F&C, BFM and BIM (UK) are regarded as related parties under the Listing Rules. Details of the fees payable are set out in notes 3 and 4 on pages 33 and 34 and note 12 on pages 38 and 39.

The related party transactions with the Directors are set out in note 13 on page 40.

### DIRECTORS' RESPONSIBILITY STATEMENT

The Disclosure and Transparency Rules (DTR) of the UK Listing Authority require the Directors to confirm their responsibilities in relation to the preparation and publication of the Interim Management Report and Financial Statements.

The Directors confirm to the best of their knowledge that:

- the condensed set of financial statements contained within the half yearly financial report has been prepared in accordance with applicable UK Accounting Standards and the Accounting Standards Board's Statement 'Half Yearly Financial Reports'; and
- the Interim Management Report, together with the Chairman's Statement and Investment Manager's Report, include a fair review of the information required by 4.2.7R and 4.2.8R of the FCA's Disclosure and Transparency Rules.

This half yearly financial report has been reviewed by the Company's auditor.

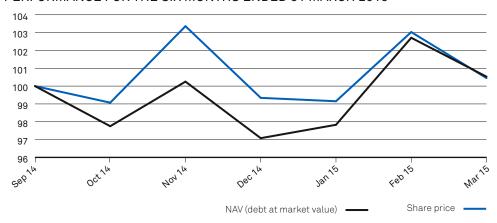
The half yearly financial report was approved by the Board on 22 May 2015 and the above responsibility statement was signed on its behalf by the Chairman.

### James M Long

For and on behalf of the Board 22 May 2015

### Investment managers' report

### PERFORMANCE FOR THE SIX MONTHS ENDED 31 MARCH 2015



Sources: BlackRock and F&C Investment Business Limited

### PORTFOLIO STRATEGY

The following comments come from Adam Ryan of BlackRock, the Company's new investment manager.

It is with great excitement that I take over as the investment manager of the Company some 117 years after its inception, although this is tinged with acute awareness of the responsibility my team and I bear to our new clients - the shareholders of the Company. The Company, along with many of the early investment trusts, was set up to allow small and medium-sized investors access to opportunities which larger investors took for granted – indeed the list of British Asset's (the previous name for the Company) 46 founding shareholders were categorised into manufacturing, trade, farming, and mining, as well as 'professionals'. Whilst many things have changed over the intervening period, not least in the investment world. I think this objective is just as appropriate now as it was at the end of the 19th century: to provide investors large and small with a well-diversified portfolio of assets managed with robust control of risk. I therefore look forward to serving all of the Company's shareholders, large or small over the coming years.

### Investment managers' report continued

As you will have no doubt read, as well as appointing a new Manager, the Company has also undergone a significant change in strategy. What hasn't changed, however, is the long-term aim of the Company: to deliver an attractive dividend yield and to preserve the value of shareholders' capital in real terms, i.e. after discounting inflationary effects. The change is in how we intend to try and deliver this. The first step has been to look beyond a strategy of just owning shares. Instead, by allowing the portfolio to own a much wider variety of asset classes, including bonds, and 'alternative' assets like property, commodities and infrastructure, we can build a portfolio which achieves much greater diversification, and therefore will typically have a lower level of risk.

The second step has been to remove the equity 'benchmark' as a performance comparator and instead focus on an overall return objective. In part this is because, by its very nature, a multi-asset portfolio such as the Company now has is more difficult to compare to a simple benchmark or market index, but perhaps more importantly shareholders ultimately care most of all about their income and how secure their capital is. No-one's income needs to track FTSE returns, but they often want to track inflation. We have therefore taken as our return target one which closely matches the aims noted above, namely to continue paying dividends at least at the current level and to grow the dividend in line with inflation through time, and to combine this with seeking to preserve the real value of capital after accounting for inflation (which we've defined as the CPI). This gives a medium-term total return target of CPI + 4%.

I take over the management of the Company at an interesting time and one with not insignificant challenges, particularly for an investor seeking attractive levels of income. Ever since the global financial crisis, central banks have been cutting interest rates and employing techniques designed to reduce the longer-term cost of borrowing (i.e. Quantitative Easing, or QE). The result of this has been to push not only interest rates to zero but also push long-term bond yields to very low levels too. We only need to look as far as Germany to witness the extreme impact of QE. Short-dated German government bonds have negative interest rates, and since taking on the Company we have seen yields on 10-year German government bonds fall to just 0.05%. This has spread to other segments of the market, reducing the yield on corporate bonds – often the asset class of choice for investors seeking income – to historically low levels.

As Bob Dylan wrote in 1964 though, *The Times They Are A-Changin*, because at some point this year at least one of the main central banks will raise interest rates. This is most likely in the US, given that the unemployment rate has dropped sharply to just 5.4%, but is an outside possibility here in the UK too, as our jobless rate is only slightly higher at 5.5%. "So what?" you may ask, "isn't this good news for people seeking higher income yields?" In some ways yes, particularly if we are in a world in which economies are strong enough to allow us to revert to more normal levels of interest rates. The flip-side, however, is the degree of uncertainty this brings. When yields rise, bond prices fall, creating unwanted volatility for investors.

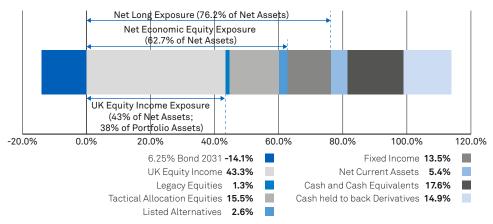
When Dylan was penning his lyrics some 50 years ago, US interest rates were also at very low levels and already heading higher. This was a precursor to a prolonged bear market in bonds which saw yields peak at around 14% in the mid-1980's and the US stock market going sideways for 20 years, as inflation took hold, driven by the oil crises of the 1970's. Some argue that the amount of money that has been pumped into the global economy over the last 6 years by central banks will also lead to inflation and a bear market for bonds, but I'm not convinced this is the case. For a start, it's difficult to believe that oil prices will return to anywhere near their previous highs given plentiful supply, and technological advances in areas such as robotics mean that labour market dynamics should exert much less pressure on inflation now than in the past. Further, many investors are forced buyers of bonds due to regulatory changes, meaning there is steady demand in a world in which supply of very high quality debt has shrunk significantly.

What is true, however, is that for a market that has become used to interest rates only moving one way, the change in direction is bound to create a degree of nervousness, and this could well make itself felt in more frequent periods of volatility within markets.

This greater uncertainty in markets brings us back to the changes made to the Company: a portfolio diversified across different asset classes and different geographies, that takes the state of the global economy as its starting point for allocating capital, and which has the flexibility tactically to alter the shape of the portfolio when circumstances change should be better placed to withstand market gyrations whilst still delivering the long-term returns shareholders need. With that in mind, I have outlined below the changes my team and I have made to the Company's portfolio, and our views of the world going forward.

### Investment managers' report continued

### PORTFOLIO ANALYSIS AS A % OF SHAREHOLDERS FUNDS



Source: BlackRock

- 1 Further definitions in relation to financial terminology used in the above graph and elsewhere in this report are given in the glossary on pages 45 to 49.
- 2 In total, Cash and Cash Equivalents and Cash held to back Derivatives in the above chart equate to 32.5% of the Company's portfolio. In the investment listing on page 24 of this report, these amounts are held in the Cash and Cash Equivalents total of 23.1% and the holding in BlackRock's Institutional Cash fund of 9.4%. The level of cash held is linked to the multi-asset nature of the Company's portfolio which means that the Company has the ability to obtain exposure to a range of investment strategies through derivative instruments. To the extent the Investment Manager has elected not to be geared through the use of such instruments, the Company will always hold a level of cash (or equivalent holding in an Institutional Cash Fund) on its balance sheet representative of the difference between the market value of the underlying shares to which the portfolio is exposed via the relevant derivative contract and the lower cost of using a derivative contract to gain exposure to these holdings. The Company is limited to any gearing through the use of derivative instruments such that net economic equity exposure will not exceed 120% of the Company's net assets.

### **UK EQUITIES (INCOME & GROWTH)**

Approximately 40% of the overall portfolio has been allocated to UK equities which is actively managed by Mark Wharrier and the BlackRock UK Equity Income Team. The UK equity portfolio is designed to generate a premium dividend yield to the UK market, dividend growth in excess of inflation over time and a total return exceeding that of the FTSE All Share Index. This is achieved by allocating circa 70% of the portfolio to dividend yield companies with attractive free cashflow characteristics, circa 20% to companies with strong growth characteristics and circa 10% to turnaround companies where there is significant recovery potential. To complement this allocation, another 12.5% has been allocated to international equities with a focus on dividend stocks.

Regional tilts to Asia have been added to enhance the long-term growth potential. To enhance yield and to provide some protection we have deployed options strategies across liquid, developed markets.

### **EQUITIES (TACTICAL ALLOCATION)**

Whilst Greece and the consequences of the UK elections have been dominating the headlines, the European economy is showing some improvement. We have implemented tactical exposures to stocks that generate their revenues from the Eurozone. In addition, with downward pressure on oil prices providing opportunities at the regional and sector level, we have allocated some exposure to India, and a basket of 'oil beneficiaries', screened for their improved prospects in a world where oil prices are set to remain relatively low.

### **FIXED INCOME**

With yields at low levels across developed markets and little reward for taking large amounts of credit risk, the portfolio has only a small allocation to fixed income with a bias towards global corporate bonds. Whilst we appreciate the long-term diversification benefits of fixed income, we believe that there are downside risks in a year that could see the Federal Reserve in the US increase interest rates. To enhance yield the portfolio has a small exposure to Brazilian bonds.

### **ALTERNATIVES**

The Company's 'alternative assets' exposure, which is currently less than 10% of the portfolio, includes listed closed-end investment companies with a bias towards those paying a strong income yield. The portfolio also holds volatility-based strategies that seek to exploit inefficiencies across derivatives markets.

### **GEARING AND CASH**

Gross gearing in the portfolio is 14.1%, implemented through the 6.25% Bonds maturing in 2031 which the Company issued fourteen years ago. Total physical borrowings (including the Bonds) would not normally be expected to exceed 20% of shareholders' funds. The portfolio is not currently geared through the use of derivatives but the team will consider increasing exposure when suitable opportunities arise. Total gearing, including net derivative exposure, would not normally be expected to result in a net economic equity exposure in excess of 120%.

### Investment managers' report continued

Approximately 32% of the Company's current net assets are represented by cash or cash equivalents. Of this total, just under half relates to cash held to offset exposures on derivative positions (approximately 15% of net current assets). The allocation to cash beyond that held to cover derivative exposures reflects the cautious approach adopted since BlackRock took over as investment manager. The recent episode of volatility should present growth and income opportunities going forward and the portfolio is well positioned to deploy capital when these opportunities arise.

### **OUTLOOK**

So how are times changing? Whilst our outlook is less dramatic than the lyrics of Dylan's '60s anthem, we do see some greater episodes of market volatility on the horizon. Interest rate rises, elections, the strong dollar and oil market price falls will have an impact on the corporate sector and we are monitoring these developments carefully. Periods of volatility can lead to changes in the way asset classes behave in relation to each other, and therefore require a careful understanding and monitoring of the risks we take to generate profits.

In order to manage this up-tick in volatility, since taking over the management of the Company we have focused on increasing the breadth of asset classes held within the portfolio. We are aware that 'crowding' around some popular investment themes has become extreme, which has the potential to cause volatility when investors collectively rush to the exits. In such periods, the fundamentals backing an investment can remain strong, but we can experience some pain as 'hot money' becomes the dominant driver of asset prices. Recently, we have seen this in the Eurozone as government bond markets sold-off aggressively. We believe that our positions are backed by sound fundamentals, but this recent turbulence does re-affirm the benefit of a dynamic and risk controlled approach to allocating capital. Whilst we retain a keen eye on the overall equity sensitivity of the portfolio, we are also taking measures to ensure the sensitivity to global interest rates is at low levels.

At the time of writing, the UK election has just been decided with David Cameron securing a slim majority. Every pre-election poll and prediction has been wrong, with the Conservative Party victory totally unexpected. The immediate reaction has been positive for UK risk assets but the medium term outlook will be more challenging and we have elected to take small profits on some of our more cyclical UK positions.

We look forward to reporting to shareholders in the future. Thank you for your support.

### Adam Ryan

22 May 2015

### BRITISH ASSETS TRUST: F&C PERFORMANCE REVIEW FOR THE PERIOD FROM 1 OCTOBER 2014 TO 26 FEBRUARY 2015

The portfolio was managed throughout most of the period with a view to the likelihood of substantial further changes given the forthcoming change in Manager. In addition, to ease the transition and provide liquidity in the event of any share buyback requirements, gearing was substantially reduced – the short term borrowing facility was repaid in full in January – and many of the less liquid smaller holdings were realised.

Given the circumstances above, no new holdings were initiated. Total equity purchases amounted to £15.8m – the major individual additional shares bought were in Royal Dutch Shell, CRH, UBS, Intermediate Capital and Ashmore (all over £1.5m). No new shares were purchased after the end of December. Equity sales totalled £52.1m, the most significant of which were holdings in Microsoft, ICICI Bank, WPP, BP, Las Vegas Sands, Lancashire Holdings and Doric Nimrod Air 2 (all over £3m).

The equity holdings within the portfolio generated a return of around 5% compared to a composite benchmark return of c.7.7% (Source: F&C Factset). The portfolio benefited from strong stock picking in the bank (Industrial & Commercial Bank of China, ICICI Bank and Barclays) and media sectors alongside individual stocks such as CRH and Inmarsat. However, in aggregate, relative returns were disappointing.

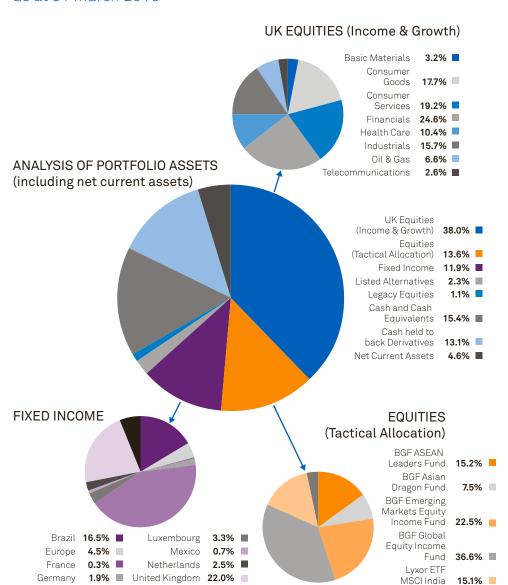
Unsurprisingly, given the fall in the oil price in the fourth quarter of 2014, holdings in the oil sector (Hunting, Total and Occidental) were particularly detrimental to performance. Elsewhere, stock specific issues at Sanofi, Premier Farnell and Digital Barriers, which each issued profit warnings, and a stock overhang at Greenko were also notable negatives. Exposure to the mining sector was also a negative factor with a convertible bond holding losing its entire value and the impact of a fall in Freeport-Mcmoran more than offsetting generally positive stock picking elsewhere.

The return of the separate bond portfolio (excluding the convertible bond holding referred to above) was in line with that delivered by the equities over the period, but again behind the composite benchmark.

**F&C Investment Business Limited** 22 May 2015

### Portfolio analysis

### as at 31 March 2015



United States

6.0%

Scottish Mortgage

Investment Trust

3.1%

Global-

Bond Fund 42.3%

**BGF** Corporate

Source: BlackRock

### Ten largest equity investments

### 31 March 2015

**BGF Global Equity Income Fund: 5.7%** (2014: nil) invests in a global portfolio, with at least 70% of its total assets in the equity securities of companies domiciled in, or exercising the predominant part of their economic activity in, developed markets.

**BGF Emerging Markets Equity Income Fund: 3.5%** (2014: nil) is a diversified portfolio of predominantly emerging market equities selected for their ability to generate income from dividends. The fund can also hold developed market securities that have significant business operations in emerging markets.

**BGF ASEAN Leaders Fund: 2.4%** (2014: nil)) seeks to maximise total return, through a diversified portfolio of securities of companies domiciled in, or exercising the predominant part of their economic activity in, current or past member countries of the ASEAN economic organisation. By 'Leaders', we mean those companies which, in the opinion of the fund managers, have attained or exhibited potential to attain above average market share in the geography they operate in, or in one or more products or services within its principal sector; or profitability or sales growth; or superior returns for investors.

**Lyxor ETF MSCI India: 2.4%** (2014: nil) is an Exchange-traded fund established in France. The fund's investment objective is to track the performance of the MSCI India index, allowing the portfolio to gain direct exposure to the domestic stock market.

**AstraZeneca: 2.3%** (2014: 1.0%) is a global pharmaceutical company, operating in the research, development, manufacture and marketing of pharmaceutical products.

**British American Tobacco: 2.3%** (2014: 1.5%) is one of the world's leading tobacco groups, with more than 200 brands in the portfolio selling in approximately 180 markets worldwide.

**HSBC Holdings: 2.1%** (2014: 5.2%) is a global banking and financial services organisation.

**Reed Elsevier: 1.8%** (2014: nil) is a global provider of professional information solutions (including publication of scientific, medical, technical and legal journals).

**Lloyds Banking Group: 1.8%** (2014: 1.6%) is a UK-based financial services company, providing a range of banking and financial services to individual and business customers.

**Friends Life: 1.6%** (2014: nil) is a global life insurance company providing a range of pension, investment and insurance products and services.

All percentages reflect the value of the holding as a percentage of total investments. Percentages in brackets represent the value of the holding as at 30 September 2014. Together, the ten largest investments represent 25.9% of the Company's portfolio (ten largest investments at 30 September 2014: 31.6%).

### Portfolio valuation

Company	Country of risk	Gross market exposure <sup>1</sup>	Market value	Market value as a % of net assets
Equities (Tactical Allocation)		£'000	£'000	
Collective Investment Vehicles				
BGF ASEAN Leaders Fund	Global		10,081	2.4
BGF Asian Dragon Fund	Global		4,996	1.2
BGF Emerging Markets Equity Income Fund	Global		14,941	3.5
BGF Global Equity Income Fund	Global		24,249	5.7
Lyxor ETF MSCI India	India		10,032	2.4
Scottish Mortgage Investment Trust	United Kingdom		2,042	0.5
Options				
Euro Stoxx 50 Call Option 18/12/15 3000	Germany	4,179	332	0.1
Euro Stoxx 50 Put Option 18/12/15 2650	Germany	(2,794)	(389)	(0.1)
Euro Stoxx 50 Put Option 19/06/15 3350	Germany	(4,115)	(266)	(0.1)
Euro Stoxx 50 Put Option 19/06/15 3550	Germany	3,772	268	0.1
FTSE 100 Call Option 15/05/15 7000	United Kingdom	(5,073)	(133)	(0.0)
FTSE 100 Call Option 17/04/15 7050	United Kingdom	(2,155)	(21)	0.0
FTSE 100 Put Option 15/05/15 6400	United Kingdom	(4,755)	(191)	(0.1)
FTSE 100 Put Option 15/05/15 6800	United Kingdom	13,228	600	0.1
iShares Put Option 17/04/15 28	United States	(396)	(16)	0.0
S&P 500 Put Option 17/04/15 1975	United States	(1,138)	(22)	(0.0)
S&P 500 Put Option 18/12/15 2320	United States	93	105	0.0
TOPIX Put Option 10/04/15 1550	Japan	(7,896)	(230)	(0.1)
Total Return Swaps				
Total Return Swap City Dynavol Index	United States	9,843	8	0.0
Total Return Swap City Dynavol EM Index	United States	4,919	2	0.0
Total Return Swap Gold Miners Index	United States	9,909	(192)	(0.1)
Total Return Swap EU Recovery Basket 2 Index	Europe	7,519	122	0.0
Total Return Swap Oil Beneficiaries Basket Index	United States	9,597	(188)	(0.0)
Total Return Swap EU Recovery Basket 1 Index	Europe	9,928	131	0.0
Total Return Swap UK Recovery Basket Index	United Kingdom	9,720	(35)	(0.0)

Company	Country of risk	Gross market exposure <sup>1</sup>	Market value	Market value as a % of net assets
Equities (Tactical Allocation)		£'000	£'000	
Total Return Swap Commodity Vol Basket Index	United States	4,889	20	0.0
Total			66,246	15.5
	Nominal			
Forward Currency Contracts	currency			
Euro vs UK Sterling	€17,000,000	12,315	(80)	(0.0)
Swiss Franc vs UK Sterling	CHF10,905,000	7,210	(376)	(0.1)
Euro vs UK Sterling	€46,080,000	32,406	(974)	(0.2)
Japanese Yen vs UK Sterling	JPY3,030,500,000	16,588	(457)	(0.1)
Japanese Yen vs UK Sterling	JPY1,164,866,022	6,552	(16)	0.0
US Dollar vs UK Sterling	US\$16,000,000	10,783	54	0.0
US Dollar vs Brazilian Real	US\$2,913,313	1,963	15	0.0
Total			(1,834)	(0.4)

<sup>1</sup> Gross market exposure is the market value of the underlying shares to which the portfolio is exposed via the contract.

### Portfolio valuation continued

Company	Country of risk	Market value	Market value as a % of net assets
Fixed Income		£'000	
AA Bond 3.781% 31 Jul 2019	United Kingdom	120	0.0
AA Bond 4.2487% 31 Jul 2020	United Kingdom	526	0.1
AA Bond 4.7201% 02 Jul 2043	United Kingdom	508	0.1
America Movil 5.125% 06 Sep 2073	Mexico	177	0.0
America Movil 5.75% 28 Jun 2030	Mexico	65	0.0
America Movil 6.375% 06 Sep 2073	Mexico	206	0.1
America Movil 6.375% 06 Sep 2073	Mexico	223	0.1
Aviva 6.125% Perpetual	United Kingdom	814	0.2
Aviva 6.125% Var 14 Nov 2036	United Kingdom	129	0.0
Axa 5.625% 16 Jan 2054	United Kingdom	205	0.1
Axa 6.6862% FRN Perpetual	United Kingdom	655	0.2
BAA 7.125% 01 Mar 2017	United Kingdom	134	0.0
BGF Global Corporate Bond Fund	Global	24,404	5.7
Bharti Airtel 4% 10 Dec 2018	India	695	0.2
Bharti Airtel 5.35% 20 May 2024	India	184	0.0
BL Superstores Finance FRN 04 Oct 2030	United Kingdom	6	0.0
Blackstone GSO Loan Financing	Europe	2,597	0.6
Brakes Capital 7.125% 15 Dec 2018	United Kingdom	549	0.1
Brazil 6% PIDI Notes 15 Aug 2022	Brazil	9,526	2.2
Citigroup 5.5% 13 Sep 2025	United States	683	0.2
CNH Industrial Finance Europe 2.75% 18 Mar 2019	Luxembourg	366	0.1
Deutsche Annington Finance 4.625% 08 Apr 2074	Netherlands	700	0.2
Dufry Finance 4.5% 15 Jul 2022	Luxembourg	577	0.1
EDF 5% Var Perpetual	France	166	0.0
EDF 5.5% 17 Oct 2041	France	130	0.0
EDF 6% 23 Jan 2114	France	846	0.2
EDF 6.125% 02 Jun 2034	France	135	0.0
Elm 6.3024% FRN Perpetual	United Kingdom	442	0.1
Empark Funding 6.75% 15 Dec 2019	Luxembourg	993	0.2
Enterprise Inns 6% 06 Oct 2023	United Kingdom	395	0.1

Company	Country of risk	Market value	Market value as a % of net assets
Fixed Income	odulity of flox	£'000	doocto
Fiat Finance 5.625% 12 Jun 2017	United States	26	0.0
Fidelity 7.125% 13 Feb 2024	United Kingdom	136	0.0
General Motors Financial 4.25% 15 May 2023	United States	1,396	0.3
Investec Bank 9.625% 17 Feb 2022	United Kingdom	207	0.1
Lloyds TSB Bank 10.75% Var 16 Dec 2021	United Kingdom	46	0.0
Lloyds TSB Bank 6.5% 17 Sep 2040	United Kingdom	188	0.1
Lloyds TSB Bank 6.75% 24 Oct 2018	United Kingdom	73	0.0
Lloyds TSB Bank 6.9625% FRN 29 May 2020	United Kingdom	101	0.0
Lloyds TSB Bank 7.625% 22 Apr 2025	United Kingdom	120	0.0
London Mining 12% Cnv 30 Apr 2019	United Kingdom	-	0.0
Macquarie Bank 3.5% 18 Dec 2020	Australia	1,046	0.3
Matalan Finance 6.875% 01 Jun 2019	United Kingdom	435	0.1
Mitchells & Butlers Finance FRN 15 Dec 2028	United Kingdom	159	0.0
Orange 5.75% Var Perpetual	United Kingdom	797	0.2
Paragon Group of Companies 3.729% 20 Apr 2017	United Kingdom	722	0.2
Petrobras 5.875% 07 Mar 2022	Brazil	71	0.0
Petrobras 6.625% 16 Jan 2034	Brazil	245	0.1
Société Générale 5% PIDI Notes 17 Jan 2024	United States	444	0.1
Standard Chartered 5.125% 06 Jun 2034	United Kingdom	742	0.2
Stonegate Public Co Financing 5.75% 15 Apr 2019	United Kingdom	1,154	0.3
Unique Public Financing 6.542% 30 Mar 2021	United Kingdom	93	0.0
Unique Public Financing 7.395% 28 Mar 2024	United Kingdom	51	0.0
UnityMedia Hessen 5.125% 21 Jan 2023	Germany	296	0.1
UnityMedia Hessen 6.25% 15 Jan 2029	Germany	816	0.2
Verizon Communications 4.862% 21 Aug 2046	United States	342	0.1
Verizon Communications 6.4% 15 Sep 2033	United States	393	0.1
Washington Mutual Bank 5.5% 10 Jun 2019	United States	-	0.0
William Hill 4.25% 05 Jun 2020	United Kingdom	504	0.1
Total		57,759	13.5

### Portfolio valuation continued

Company	Country of risk	Market value	Market value as a % of net assets
Listed Alternatives		£'000	
BlueCrest BlueTrend	United Kingdom	5,198	1.2
Foresight Solar Fund	United Kingdom	4,928	1.2
NB Distressed Debt Investment Fund	United States	1,030	0.2
Total		11,156	2.6

Company	Country of risk	Sector	Market value	Market value as a % of net assets
UK Equities (Income & Growth)	ocana, j cr nex		£'000	400010
3i Group	United Kingdom	Financials	1,939	0.5
Admiral Group	United Kingdom	Financials	978	0.2
Ashmore Group	United Kingdom	Financials	2,578	0.6
AstraZeneca	United Kingdom	Health Care	9,899	2.3
Berkeley Group Holdings	United Kingdom	Consumer Goods	2,955	0.7
Bodycote	United Kingdom	Industrials	1,551	0.4
BP Group	United Kingdom	Oil & Gas	6,207	1.5
British American Tobacco	United Kingdom	Consumer Goods	9,821	2.3
BT Group	United Kingdom	Telecommunications	4,727	1.1
Carnival	United States	Consumer Services	5,702	1.3
Cineworld Group	United Kingdom	Consumer Services	3,381	0.8
Compass Group	United Kingdom	Consumer Services	5,204	1.2
Deutsche Post	Germany	Industrials	1,874	0.4
Diageo	United Kingdom	Consumer Goods	4,946	1.2
Direct Line Insurance	United Kingdom	Financials	4,217	1.0
Dixons Carphone	United Kingdom	Consumer Services	1,411	0.3
Domino Printing	United Kingdom	Industrials	1,597	0.4
Energizer Holdings	United States	Consumer Goods	2,604	0.6
Friends Life	United Kingdom	Financials	6,965	1.6
GlaxoSmithKline	United Kingdom	Health Care	6,464	1.5
Hays	United Kingdom	Industrials	4,273	1.0
Howden Joinery	United Kingdom	Industrials	3,348	0.8
HSBC Holdings	United Kingdom	Financials	9,127	2.1
Imperial Tobacco Group	United Kingdom	Consumer Goods	6,919	1.6
Informa	United Kingdom	Consumer Services	2,416	0.6
Legal & General Group	United Kingdom	Financials	5,194	1.2
Lloyds Banking Group	United Kingdom	Financials	7,625	1.8
Next	United Kingdom	Consumer Services	6,463	1.5
Prudential	United Kingdom	Financials	6,839	1.6
Reed Elsevier	United Kingdom	Consumer Services	7,823	1.8
Rentokil Initial	United Kingdom	Industrials	4,598	1.1

### Portfolio valuation continued

Company	Country of risk	Sector	Market value	Market value as a % of net assets
UK Equities (Income & Growth)			£'000	
Rio Tinto	United Kingdom	Basic Materials	6,007	1.4
Roche	Switzerland	Health Care	2,789	0.7
Royal Dutch Shell 'B'	Netherlands	Oil & Gas	5,961	1.4
Smith (DS)	United Kingdom	Industrials	3,409	0.8
Spectris	United Kingdom	Industrials	2,440	0.6
Stagecoach Group	United Kingdom	Consumer Services	3,160	0.7
Unilever	United Kingdom	Consumer Goods	5,515	1.3
Wolseley	United Kingdom	Industrials	5,840	1.4
Total			184,766	43.3
Individual Equities (legacy)				
Caithness Petroleum	United States		_	0.0
Digital Barriers	United Kingdom		700	0.2
Great Eastern Energy	India		1,020	0.2
Greenko Group	India		2,844	0.7
lenergizer	United Kingdom		927	0.2
Total			5,491	1.3
BlackRock's Institutional Sterling Liquidity Fund			40,000	9.4
Total investments			363,584	85.2
Cash and cash equivalents Net liabilities			98,627 (35,490)	23.1 (8.3)
Net assets			426,721	100.0

### Income statement

## for the six months ended 31 March 2015

		Ľ.	Revenue £'000		3	Capital £'000			Total £'000	
		Six months ended	pepue su	Year	Six months ended	pepue si	Year	Six months ended	papua si	Year
	Notes	31.03.15 (unaudited)	31.03.14 (unaudited)	ended 30.09.14 (audited)	31.03.15 (unaudited)	31.03.14 (unaudited)	a0.09.14 (audited)	31.03.15 (unaudited)	31.03.14 (unaudited)	30.09.14 (audited)
Gains on investments held at fair value through profit or loss	2	I	I	I	6,524	9,940	9,596	6,524	9,940	9,596
Exchange (losses)/gains		1	ı	ı	(1,438)	407	696	(1,438)	407	696
Income from investments held at fair value through profit or loss	2	9,315	10,816	23,549	I	I	I	9,315	10,816	23,549
Other income	2	72	31	29	ı	I	I	72	31	29
Investment management fee	ო	(343)	(353)	(700)	(639)	(659)	(1,301)	(885)	(1,008)	(2,001)
Other operating expenses	4	(478)	(292)	(711)	(2)	I	_	(480)	(292)	(711)
Net return before finance costs and taxation		8,566	10,202	22,197	4,445	9,692	9,264	13,011	19,894	31,461
Finance costs		(732)	(733)	(1,460)	(1,342)	(1,361)	(2,711)	(2,074)	(5,094)	(4,171)
Net return on ordinary activities before taxation		7,834	69,468	20,737	3,103	8,331	6,553	10,937	17,800	27,290
Taxation on ordinary activities		49	(173)	(439)	I	ı	ı	67	(173)	(439)
Net return on ordinary activities after taxation		7,883	9,296	20,298	3,103	8,331	6,553	10,986	17,627	26,851
Return per ordinary share	9	2.73p	3.21p	7.01p	1.08p	2.88p	2.26p	3.81р	6.09p	9.27p

The total column of this statement represents the Profit and Loss Account of the Company.

Company had no recognised gains or losses other than those disclosed in the Income Statement and the Reconciliation of Movements in Shareholders' The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies (AIC). The Funds. All items in the above statement derive from continuing operations. All income is attributable to the equity holders of BlackRock Income Strategies Trust plc.

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their nistorical cost equivalents.

# Reconciliation of movements in shareholders' funds

# for the six months ended 31 March 2015 and comparative periods

	Called up share capital	Capital redemption reserve	Capital	Revenue	Total
	£,000	£,000	£,000	£,000	£,000
For the six months ended 31 March 2015 (unaudited)					
At 30 September 2014	72,778	15,563	302,990	35,534	426,865
Net return for the period	I	ı	3,103	7,883	10,986
Shares purchased to be held in treasury	I	ı	(1,237)	I	(1,237)
Dividends paid <sup>(a)</sup>	I	ı	ı	(6,893)	(6,893)
At 31 March 2015	72,778	15,563	304,856	33,524	426,721
For the six months ended 31 March 2014 (unaudited)					
At 30 September 2013	72,778	15,563	296,437	33,567	418,345
Net return for the period	I	I	8,331	9,296	17,627
Dividends paid <sup>(b)</sup>	I	ı	I	(9,623)	(9,623)
At 31 March 2014	72,778	15,563	304,768	33,240	426,349
For the year ended 30 September 2014 (audited)					
At 30 September 2013	72,778	15,563	296,437	33,567	418,345
Net return for the period	I	I	6,553	20,298	26,851
Dividends paid <sup>(c)</sup>	I	I	I	(18,331)	(18,331)
At 30 September 2014	72,778	15,563	302,990	35,534	426,865
				•	

<sup>(</sup>a) Third quarterly interim dividend of 1.53p per share for the year ended 30 September 2014, paid on 10 October 2014. Fourth quarterly interim dividend of 1.895p per share for the year ended 30 September 2014, paid on 30 January 2015.

Third quarterly interim dividend of 1.4853p per share for the year ended 30 September 2013, paid on 11 October 2013. Final dividend of 1.8396p per share for the year ended 30 September 2013, paid on 31 January 2014. 9

<sup>1.8396</sup>p per share for the year ended 30 September 2013, paid on 31 January 2014. First quarterly interim dividend of 1.485p per share (c) Third quarterly interim dividend of 1.4853p per share for the year ended 30 September 2013, paid on 11 October 2013. Final dividend of for the year ended 30 September 2014, paid on 11 April 2014. Second quarterly interim dividend of 1.53p per share for the year ended 30 September 2014, paid on 11 July 2014.

### Balance sheet

	Notes	31 March 2015	31 March 2014	30 September 2014
		£'000 (unaudited)	£'000 (unaudited)	£'000 (audited)
Fixed assets				
Investments held at fair value through profit or loss		365,513	484,151	490,690
Current assets				
Debtors	7	25,462	8,808	5,420
Derivative financial instruments		1,588	48	_
Cash	11	98,627	14,200	14,790
		125,677	23,056	20,210
Creditors – amounts falling due within one year				
Derivative financial instruments		(3,517)	_	(32)
Other creditors	8	(1,386)	(21,318)	(24,450)
		(4,903)	(21,318)	(24,482)
Net current assets/(liabilities)		120,774	1,738	(4,272)
Total assets less current liabilities		486,287	485,889	486,418
Creditors – amounts falling due after more than one year	9	(59,566)	(59,540)	(59,553)
Net assets		426,721	426,349	426,865
Capital and reserves				
Called up share capital	10	72,778	72,778	72,778
Capital redemption reserve		15,563	15,563	15,563
Capital reserves		304,856	304,768	302,990
Revenue reserve		33,524	33,240	35,534
Total equity shareholders' funds	6	426,721	426,349	426,865
Net asset value per ordinary share (debenture at par value)	6	147.96p	147.32p	147.49p
Net asset value per ordinary share (debenture at market value)	6	142.08p	144.30p	143.30p

### Cash flow statement

### for the six months ended 31 March 2015

	Notes	Six months ended 31 March 2015	Six months ended 31 March 2014	Year ended 30 September 2014
		£'000 (unaudited)	£'000 (unaudited)	£'000 (audited)
Net cash inflow from operating activities		8,194	8,560	21,217
Servicing of finance		(2,034)	(2,080)	(4,152)
Capital expenditure and financial investment				
Purchase of investments		(335,692)	(210,654)	(351,175)
Proceeds from sale of investments		445,899	223,545	356,482
Net cash inflow from capital expenditure and financial investment		110,207	12,891	5,307
Equity dividends paid		(9,893)	(9,623)	(18,331)
Net cash inflow before financing		106,474	9,748	4,041
Financing Shares purchased to be held in treasury Revolving advance facility		(1,237)	-	_
(repaid)/drawndown		(19,962)	(10,142)	(5,023)
Net cash outflow from financing		(21,199)	(10,142)	(5,023)
Increase/(decrease) in cash in the period	11	85,275	(394)	(982)

### Reconciliation of net return before finance costs and taxation to net cash flow from operating activities for the six months ended 31 March 2015

	Six months ended 31 March 2015	Six months ended 31 March 2014	Year ended 30 September 2014
	£'000 (unaudited)	£'000 (unaudited)	£'000 (audited)
Total return before finance costs and taxation	13,011	19,894	31,461
Less: capital return before finance costs and taxation	(4,445)	(9,692)	(9,264)
Net revenue return before finance costs and taxation	8,566	10,202	22,197
Expenses charged to capital	(641)	(655)	(1,301)
Tax on investment income	49	(248)	(528)
(Increase)/decrease in accrued income	(1,815)	(574)	853
Increase/(decrease) in creditors	2,035	(165)	(4)
Net cash inflow from operating activities	8,194	8,560	21,217

### Notes to the financial statements

### for the six months ended 31 March 2015

### 1. PRINCIPAL ACTIVITY AND BASIS OF PREPARATION

The principal activity of the Company is that of an investment trust company within the meaning of section 1158 of the Corporation Tax Act 2010.

The taxation charge has been calculated by applying an estimate of the annual effective tax rate to any profit for the period.

The half yearly financial statements have been prepared using the same accounting policies set out in the Company's financial statements for the year ended 30 September 2014, except as otherwise disclosed below.

Following the change to the Company's investment objective and policy with effect from 27 February 2015, the Company invests in a range of derivative products. Where appropriate, certain permitted financial instruments such as derivatives, including forward currency contracts, are used for revenue enhancement or efficient portfolio management. Where such financial instruments are used to protect or enhance revenue, the revenue and expenses derived therefrom are included in the revenue column of the Income Statement. Where such financial instruments are used to protect or enhance capital, the gains and losses derived therefrom are taken to the capital column of the Income Statement. In some circumstances, gains or losses may have to be apportioned between capital and revenue to reflect the nature of the transaction.

The accounting policies for these instruments are set out below in more detail.

### OVER THE COUNTER DERIVATIVES

For over the counter derivatives (e.g. credit default swaps, interest rate swaps, swaptions, total return swaps and currency options), market value is determined based on valuation pricing models which take into account relevant market inputs as well as the time values, liquidity and volatility factors underlying the positions. Where an income stream can be determined on total return instruments the gain or loss will be included in the revenue column of the Income Statement.

### COLLECTIVE INVESTMENT SCHEMES

Investments in dual priced Collective Investment Schemes have been valued at fair value. which is usually bid value at the closing valuation point of the underlying fund on the last business day of the accounting period. Investments in single priced Collective Investment Schemes have been valued at market values, defined as fair value, which is usually the quoted price on the last business day of the accounting period.

### **OPTIONS**

Options may be written over securities held in the portfolio for generating or protecting capital returns, or for generating or maintaining revenue returns. Where the purpose of the option is the generation of income, the premium is treated as a revenue item. Where the purpose of the option is the maintenance of capital, the premium is treated as a capital item. The value of the option is subsequently marked to market to reflect the fair value of the option based on traded prices. Option premium income is recognised as revenue evenly over the life of the option contract and included in the revenue column of the Income Statement unless the option has been written for the maintenance and enhancement of the Company's investment portfolio and represents an incidental part of a larger capital transaction, in which case any premia arising are allocated to the capital column of the Income Statement. Where the premium is taken to revenue, an appropriate amount is shown as capital return such that the total return reflects the overall change in the fair value of the option. When an option is closed out or exercised the gain or loss is accounted for as capital.

The Company's financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice 'Financial Statement of Investment Companies' ('SORP') revised in January 2009, except for the allocation of the marginal tax relief as disclosed in the Company's financial statements for the year ending 30 September 2014.

### Notes to the financial statements continued

### for the six months ended 31 March 2015

### 2. INCOME

	Six months ended 31 March 2015	Six months ended 31 March 2014	Year ended 30 September 2014
	£'000 (unaudited)	£'000 (unaudited)	£'000 (audited)
Investment Income:			
UK listed dividends	6,549	7,811	15,869
Overseas listed dividends	1,355	1,322	4,402
Fixed interest income	1,043	1,612	3,164
Derivative income	368	71	114
	9,315	10,816	23,549
Other income:			
Interest	53	16	32
Underwriting commission	19	15	27
Total	72	31	59
	9,387	10,847	23,608
Gains on investments held at fair value through profit or loss:			
Realised gains on sales	39,101	19,133	23,398
Movement in investment holding losses	(32,577)	(9,193)	(13,802)
Total	6,524	9,940	9,596

### 3. INVESTMENT MANAGEMENT FEE

	Six r 31	Six months ended 31 March 2015 (unaudited)	jed 5	Six r 31	six months ended 31 March 2014 (unaudited)	ded 4	30 8	Year ended 30 September 2014 (audited)	014
	Revenue £'000	Revenue Capital £'000 £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee – F&C	287	523	810	353	655	1,008	700	1,301	2,001
Investment management fee – BlackRock	56	116	172	I	I	1	I	I	1
Total	343	639	982	353	655	1,008	700	1,301	2,001

total assets less current liabilities (excluding Ioans) and is allocated 35% to the revenue column and 65% to the Alternative Investment Fund Manager in place of F&C Investment Business Limited. There has been no change to the investment management fee, which continues to be levied at a rate of 0.4% per annum of the Company's With effect from 27 February 2015, BlackRock Fund Managers Limited has been appointed as the Company's capital column of the Income Statement. BlackRock have agreed to waive the management fees payable to the Company up to the level of transition and estructuring costs, which are estimated to be in the region of £744,000 (additional details are given in note 4). he fees in the above table that are shown as accrued to BlackRock have been credited to a payables account ee waiver benefit due from BlackRock in respect of the termination costs, such that no management fees will on the Company's balance sheet, and this balance has been offset by a corresponding debit representing the actually be paid to BlackRock until the level of fees earned exceeds the transition costs paid and accrued

BlackRock managed funds in the normal course of business to ensure that no double charging occurs. These are recognised on an accruals basis and are treated as reduction in management fee expense and allocated The Company also receives rebates on the management fees levied on its underlying investments in other between revenue and capital in accordance with the Company's policy for allocation of management fees. Additional information is given in note 12.

### Notes to the financial statements continued

### for the six months ended 31 March 2015

### 4. OPERATING COSTS AND TRANSITION COSTS

Other operating expenses charged to revenue of £478,000 (six months to 31 March 2014: £292,000) relate to the ongoing operational costs of the Company and include custody and depositary fees, marketing costs, Directors' and auditors fees and registrar's fees. They do not include any of the costs associated with the Company's transition of Manager, which amounted to £744,000. This is because BlackRock has agreed to meet these costs by waiving the collection of its management fee until such time as these costs have been met in full. In the period to 31 March 2015, an amount of £172,000 has been waived; a further amount of approximately £572,000 is due under the fee waiver. The fee waiver benefit has been recognised in full during the period and credited against the corresponding charge for transition costs in the Company's Income Statement such that the transition costs have been fully offset and there is no impact to the Company's NAV.

### 5. DIVIDEND

The Board has declared a first interim dividend of 1.5p per share (2014: 1.485p per share). which was paid on 10 April 2015 to shareholders on the register as at 13 March 2015; the ex-dividend date was 12 March 2015. The total cost of this dividend, based on 288,412,282 shares in issue was £4,326,000 (2014: £4,298,000). As this is an interim dividend and has not been approved by shareholders, in accordance with FRS 21 it will be recognised in the Financial Statements only once it has been paid, and is therefore not accrued in these half yearly accounts.

The Board has declared a second interim dividend of 1.67p per share (2014: 1.53p per share), which will be paid on 10 July 2015 to shareholders on the register as at 12 June 2015; the ex-dividend date will be 11 June 2015. The total cost of this dividend, based on 288,412,282 shares in issue is £4,816,000 (2014: £4,428,000).

# 6. RETURN AND NET ASSET VALUE PER ORDINARY SHARE

Revenue and capital return per share are shown below and have been calculated using the following:

	Six months ended 31 March 2015	Six months ended 31 March 2014	Year ended 30 September 2014
	(unaudited)	(unaudited)	(audited)
Net revenue return attributable to ordinary shareholders (£'000)	7,883	9,296	20,298
Net capital return attributable to ordinary shareholders (£'000)	3,103	8,331	6,553
Total return attributable to ordinary shareholders (£'000)	10,986	17,627	26,851
Total shareholders' funds (£'000)	426,721	426,349	426,865
The weighted average number of ordinary shares in issue during each period, on which the return per ordinary share was calculated, was:	288,566,128	289,412,282	289,412,282
The actual number of ordinary shares in issue at the end of the period, on which the net asset value was calculated, was:	288,412,282	289,412,282	289,412,282
Revenue return per ordinary share	2.73	3.21	7.01
Capital return per ordinary share	1.08	2.88	2.26
Total return per ordinary share	3.81	6.09	9.27
Net asset value per ordinary share (debt at par value)	147.96	147.32	147.49
Net asset value per ordinary share (debt at market value)	142.08	144.30	143.30

# Notes to the financial statements continued

# for the six months ended 31 March 2015

# 7. DEBTORS

	Six months ended 31 March 2015	Six months ended 31 March 2014	Year ended 30 September 2014
	£'000 (unaudited)	£'000 (unaudited)	£'000 (audited)
Amounts due from brokers	21,685	5,410	3,458
Prepayments and accrued income	3,108	3,284	1,857
Due from BlackRock in respect of management fee waiver	572	_	_
Other debtors	97	114	105
Total	25,462	8,808	5,420

# 8. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	Six months ended 31 March 2015	Six months ended 31 March 2014	Year ended 30 September 2014
	£'000 (unaudited)	£'000 (unaudited)	£'000 (audited)
Revolving advance facility	-	14,865	19,976
Amounts due to brokers	680	6,148	4,042
Interest on 6.25 per cent. Bonds 2031	214	230	207
Other creditors	492	75	225
Total	1,386	21,318	24,450

# 9. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Six months ended 31 March 2015	Six months ended 31 March 2014	Year ended 30 September 2014
	£'000 (unaudited)	£'000 (unaudited)	£'000 (audited)
6.25% Bonds 2031	59,566	59,540	59,553

The market value of the 6.25% Bonds using the last available quoted offer price from the London Stock Exchange as at 31 March 2015 was 127.51p per bond, a total of £76,506,000.

# 10. CALLED UP SHARE CAPITAL

	Ordinary shares	Treasury shares	Total shares in issue	Nominal value
	(number)	(number)	(number)	£'000
Allotted, called up and fully paid share capital comprised:				
Ordinary shares of 25p each				
At 30 September 2014	289,412,282	1,700,000	291,112,282	72,778
Shares bought back and held				
in treasury	(1,000,000)	1,000,000	_	_
At 31 March 2015	288,412,282	2,700,000	291,112,282	72,778

# Notes to the financial statements continued

# for the six months ended 31 March 2015

#### 11. MOVEMENT IN NET DEBT

	Six months ended 31 March 2015	Six months ended 31 March 2014	Year ended 30 September 2014
	£'000 (unaudited)	£'000 (unaudited)	£'000 (audited)
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash in the period	85,275	(394)	(982)
Repayment of revolving loan facility	19,962	10,142	5,023
Exchange movement	(1,424)	(53)	1,132
Amortised debenture stock issue expenses	(13)	(13)	(26)
Change in net debt in the period	103,800	9,682	5,147
Opening net debt	(64,739)	(69,886)	(69,886)
Closing net cash/(debt)	39,061	(60,204)	(64,739)

Net cash of £39,061,000 in the above table comprises cash of £98,627,000 less the liability in respect of the 6.25% Bond 2031 of £59,566,000. The level of cash held is linked to the multi-asset nature of the Company's portfolio which means that the Company has the ability to obtain exposure to a range of investment strategies through derivative instruments. To the extent the Investment Manager has elected not to be geared through the use of such instruments, the Company will always hold a level of cash (or equivalent holding in BlackRock's Institutional Cash Fund) on its balance sheet representative of the difference between the market value of the underlying shares to which the portfolio is exposed via the relevant derivative contract and the lower cost of using a derivative contract to gain exposure to these holdings. The Company is limited to any gearing through the use of derivative instruments such that net economic equity exposure will not exceed 120% of the Company's net assets.

# 12. TRANSACTION WITH THE AIFM AND RELATED PARTIES

F&C Business Limited was the Company's AIFM until the close of business on 26 February 2015 and received investment management fees of £820,000 until that date (six months ended 31 March 2014: £1,008,000; year ended 30 September 2014: £2,001,000). In addition, and in accordance with the termination provisions of the Investment management agreement with F&C, the Company paid investment management fees of £335,000 to F&C for the period up until 30 April 2015. This additional fee will be met by BlackRock by way of a fee waiver.

In addition to the above services, F&C provided the Company with marketing services until 26 February 2015. The total fees paid or payable for these services for the period ended 26 February 2015 amounted to £26,000 including VAT (£22,000 for 31 March 2014 and £68,000 for 30 September 2014) of which £24,000 was outstanding at 31 March 2015.

BlackRock Fund Managers Limited ('BFM') was appointed as the Company's AIFM with effect from 27 February 2015. BFM has (with the Company's consent) delegated certain portfolio and risk management services, and other ancillary services, to BIM (UK). Details of the management fee payable to BlackRock are set out in note 3.

BlackRock has agreed to meet certain transition costs as set out in note 4, by way of a management fee waiver.

In addition to the above services, BlackRock has provided the Company with marketing services from 27 February 2015. The total fees paid or payable for these services for the period ended 31 March 2015 amounted to £19,000 including VAT of which £19,000 was outstanding at 31 March 2015.

The Company also has investments in several funds managed by BlackRock and details of the amounts invested as at 31 March 2015 are set out in the table below. As disclosed in note 3 on page 33, management fees may be levied on some of these investments. To the extent that any such management fees have been charged in respect of these holdings, the Company is rebated these management fees on a regular basis to ensure that no double charging occurs. For the period from 27 February 2015 to 31 March 2015, fees of £11,000 were levied in respect of the BGF Global Equity Income Fund and the BGF Emerging Markets Equity Income Fund, and were rebated in full to the Company.

	Value at 31 March 2015
Fund	£'000
BlackRock's Institutional Sterling Liquidity Fund	40,000
BGF Global Corporate Bond Fund	24,404
BGF Global Equity Income Fund	24,249
BGF Emerging Markets Equity Income Fund	14,941
BGF ASEAN Leaders Fund	10,081
BGF Asian Dragon Fund	4,996

# Notes to the financial statements continued

# for the six months ended 31 March 2015

#### 13. RELATED PARTY DISCLOSURE

The Board consists of five non-executive Directors, all of whom, with the exception of Ms Ruddick, are considered to be independent by the Board. Ms Ruddick is also a director of another BlackRock managed investment trust and is therefore not considered to be independent. None of the Directors has a service contract with the Company. Ms Ruddick was Chairman until 26 February 2015 and was succeeded by Mr Long. Mr Russell succeeded Mr Long as Chairman of the Audit Committee on the same day.

The Chairman receives an annual fee of £40,500, the Audit Committee Chairman receives £26,470, the Senior Independent Director receives £25,750 and each of the other Directors receives an annual fee of £23,750. In addition, and in accordance with the Company's Articles of Association, the Directors received the following fees in relation to their significant additional work in respect of the transition to BlackRock:

James M Long	£13,235
Lynn C Ruddick	£20,250
Jim N D Grover	£11,875
Ian S M Russell	£11,875
Jimmy G West	£12,875

At the period end the Directors held ordinary shares in the Company as set out below:

	Beneficial holdings Ordinary shares 31 March 2015	Non- beneficial holdings Ordinary shares 31 March 2015
James M Long	25,058	-
Lynn C Ruddick	82,682	6,067
Jim N D Grover	27,500	-
Ian S M Russell	27,500	-
Jimmy G West	63,400	-

# 14. PUBLICATION OF NON STATUTORY ACCOUNTS

The financial information contained in this half yearly report does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. The financial information for the six months ended 31 March 2015 and 31 March 2014 has not been audited.

The information for the year ended 30 September 2014 has been extracted from the latest published audited financial statements, which have been filed with the Registrar of Companies. The report of the auditor on those accounts contained no qualification or statement under sections 498(2) or (3) of the Companies Act 2006.

# 15. CONTINGENT ASSETS/LIABILITIES

There were no contingent liabilities or assets at 31 March 2015, 31 March 2014 or 30 September 2014.

## **16. ANNUAL RESULTS**

The Board expects to announce the annual results for the year ending 30 September 2015 in December 2015. Copies of the annual results announcement can be obtained from the Secretary on 0207 743 3000 and a copy of the Annual Report is available from the Company's website at blackrock.co.uk/bist. The Annual Report should be available by late December 2015 and it is expected that the Annual General Meeting will be held in February 2016.

# Independent auditor's review

#### INTRODUCTION

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2015 which comprises the Income Statement, Balance Sheet, Cash Flow, and related notes 1 to 16. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

#### DIRECTORS' RESPONSIBILITIES

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Company are prepared in accordance with United Kingdom Generally Accepted Accounting Practice. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with the Accounting Standards Board Statement "Half-Yearly Financial Reports".

#### **OUR RESPONSIBILITY**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

#### **SCOPE OF REVIEW**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope

than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2015 is not prepared, in all material respects, in accordance with the Accounting Standards Board Statement "Half-Yearly Financial Reports" and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Conduct Authority.

# **ERNST & YOUNG LLP**

London 22 May 2015

# Directors, management and other service providers

#### Directors

James M Long (Chairman)
Jim Grover
Lynn Ruddick
Ian Russell (Chairman of the
Audit Committee)
Jimmy West (Senior Independent Director)

# Registered Office

(Registered in Scotland, No. 3721) Exchange Place One 1 Semple Street Edinburgh EH3 8BL

# Alternative Investment Fund Manager

BlackRock Fund Managers Limited<sup>1</sup>
12 Throgmorton Avenue
London FC2N 2DI

# Investment Manager & Secretary

BlackRock Investment Management (UK) Limited<sup>1</sup> 12 Throgmorton Avenue London EC2N 2DL Telephone: 020 7743 3000

# Depositary

BNY Mellon Trust & Depositary (UK) Limited<sup>1</sup> BNY Mellon Centre 160 Queen Victoria Street London FC4V 4LA

# Registrar

Equiniti Limited
Aspect House
Spencer Road, Lancing
West Sussex BN99 6DA
Registrars' Shareholder Helpline:
0871 384 2462

Registrars' Broker Helpline: 0906 559 6025

## Auditor

Ernst & Young LLP
Chartered Accountants and
Statutory Auditors
1 More London Place
London SF1 2AF

# Stockbrokers

Cenkos Securities plc<sup>1</sup> 6.7.8 Tokenhouse Yard London EC2R 7AS

#### Solicitors

Dickson Minto WS 16 Charlotte Square Edinburgh EH2 4DF

# Savings Plan and NISA Administrator

Freepost RLTZ-KHUH-KZSB
BlackRock Investment Management
(UK) Limited¹
PO Box 9036
Chelmsford CM99 2XD
Telephone: 0800 44 55 22

<sup>1</sup> Authorised and regulated by the Financial Conduct Authority.

# Glossary

#### **ALTERNATIVE ASSETS**

Alternative investments include real estate, hedge funds, private equity and commodities. They are bought in order to enhance expected return and diversify a portfolio. Alternative assets are usually unquoted and therefore less liquid than equities and bonds.

#### **BETA**

The Beta of a portfolio is a number describing the relation of the portfolio's returns with those of the financial market as a whole. A portfolio has a Beta of zero if its returns change independently of changes in the market's returns. A positive Beta means that the portfolio's returns have a degree of correlation to the market's returns. A negative Beta means that the portfolio's returns are negatively correlated to the market's returns.

## **CORRELATION**

In portfolio management terms, correlation is a statistical measure of how two securities move in relation to each other. Correlation is computed into what is known as the correlation coefficient, which ranges between -1 and +1. Perfect positive correlation (a correlation co-efficient of +1) implies that as one security moves, either up or down, the other security will move in lockstep, in the same direction. Alternatively, perfect negative correlation means that if one security moves in either direction the security that is perfectly negatively correlated will move in the opposite direction. If the correlation is 0, the movements of the securities are said to have no correlation; they are completely random.

# **CONSUMER PRICE INDEX (CPI)**

The main measure of UK inflation. It forms the basis for the Government's inflation target.

#### DISCOUNT

Investment trust shares frequently trade at a discount to NAV. This occurs when the share price is less than the NAV. In this circumstance, the price that an investor pays or receives for a share would be less than the value attributable to it by reference to the underlying assets. The discount is the difference between the share price (based on mid-market share prices) and the NAV, expressed as a percentage of the NAV. For example, if the share price was 90 cents and the NAV 100 cents, the discount would be 10%.

#### **DIVIDEND YIELD**

The annual dividend on a share divided by the share price.

# Glossary continued

#### DURATION

The (Macaulay) duration is a measure of the average time until a bond's cash flows occur, and of the sensitivity of its price to interest rate changes. Technically speaking, the Macaulay duration is the sum of the time weighted discounted payments (coupons and principal) of a bond. Another way to think about duration is the average time period over which you will receive your payments. Hence, if two bonds have the same maturity, the bond with the higher coupon will have a shorter duration (the average time of repayment is less heavily weighted to the repayment of capital (principal) at maturity).

#### **GROSS AND NET EXPOSURE**

Market exposure gained through total return swaps, swaptions or other derivative instruments refers to the gross market value of the underlying securities to which the investor is exposed through the relevant instrument. Gross exposure refers to the total exposure the investor has through both long and short positions added together. For example, an investor who has 110% long market exposure through derivative instruments and 20% short market exposure through derivative instruments has gross market exposure of 130%.

Net exposure refers to the exposure the investor has through long positions less any short positions. For example, an investor who has 110% long market exposure through derivative instruments and 20% short market exposure through derivative instruments has net market exposure of 90%; this method of measurement is looking at the net directional market exposure and takes into account the fact that long and short positions theoretically offset one another when the market moves in a particular direction.

#### LEVERAGE/GEARING

When an investor has more than a 100% exposure to a market, or part of a market. typically resulting from the use of debt or derivatives (futures and options).

# **NET ASSET VALUE PER SHARE ('NAV')**

This is the value of the Company's assets attributable to one ordinary share. It is calculated by dividing 'equity shareholders' funds' by the total number of ordinary shares in issue. For example, as at 31 March 2015 equity shareholders' funds were worth £426,721,000 and there were 288,412,282 ordinary shares in issue; the undiluted NAV (with debt at par) was therefore 147.96 pence per ordinary share. Equity shareholders' funds are calculated by deducting from the Company's total assets its current and long-term liabilities and any provision for liabilities and charges.

# **OPTION**

An option is a contract which gives the buyer the right, but not the obligation, to buy or sell an underlying asset or instrument at a specified strike price on or before a specified date. The seller has the corresponding obligation to fulfill the transaction – that is to sell or buy – if the buyer 'exercises' the option. The buyer pays a premium to the seller for this right. An option that conveys to the owner the right to buy something at a specific price is referred to as a call; an option that conveys the right of the owner to sell something at a specific price is referred to as a put.

#### **PREMIUM**

A premium occurs when the share price is more than the NAV and investors would therefore be paying more than the value attributable to the shares by reference to the underlying assets. For example, if the share price (based on mid-market share prices) was 100 cents and the NAV 90 cents, the premium would be 11.1%. Discounts and premia are mainly the consequence of supply and demand for the shares on the stock market.

# SHORT AND LONG EXPOSURES

Derivative instruments enable an investor to benefit from the price of a stock falling as well as rising. This enables the investor to benefit from negative as well as positive views on individual stocks. Entering into a derivative contract that results in a profit where the share price movement falls is referred to as taking a short position. Entering into a derivative instrument that results in a profit if the price of the stock rises is referred to as taking a long position.

# **SWAPTION**

A swaption is an option on a swap (usually an interest rate swap) which provides the purchaser the right to either pay or receive a fixed rate. A buyer of a swaption who has the right to pay fixed and receive floating is said to have purchased a 'payers swaption'. Alternatively, the right to exercise into a swap whereby the buyer receives fixed and pays floating is known as a 'receivers swaption'.

# **TOTAL RETURN**

The income on an asset together with its capital appreciation, expressed as a proportion of the asset's initial price.

# Glossary continued

#### **TOTAL RETURN SWAP**

A swap agreement in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, which includes both the income it generates and any capital gains. In total return swaps, the underlying asset, referred to as the reference asset, is usually an equity index, loans, or bonds. This is owned by the party receiving the set rate payment.

Total return swaps allow the party receiving the total return to gain exposure and benefit from a reference asset without actually having to own it. These swaps are a useful investment instrument because they enable the investor to obtain significant market exposure with a minimal cash outlay.

# **VALUE AT RISK (VaR)**

VaR is a statistical risk measure that estimates the potential portfolio loss from adverse market moves in an ordinary market environment. VaR analysis reflects the interdependencies between risk variables, unlike a traditional sensitivity analysis.

For a given probability and a given time horizon, VaR indicates the maximum amount the portfolio will lose. For example, using a set probability of 99% and a defined historical observation period of 1 year, a VaR of £5m means that 99% of the time over a 1 year period the portfolio will fall by less than this amount.

It is noted that the use of VaR methodology has limitations, namely assumptions that risk factor returns are normally distributed and that the use of historical market data as a basis for estimating future events does not encompass all possible scenarios, particularly those that are of an extreme nature and that the use of a specified confidence level (e.g. 99%) does not take into account losses that occur beyond this level. There is some probability that the loss could be greater than the VaR amounts. These limitations and the nature of the VaR measure mean that the Company can neither guarantee that losses will not exceed the VaR amounts indicated, nor that losses in excess of the VaR amounts will not occur more frequently.

#### VOLATILITY

Volatility refers to the amount of uncertainty or risk about the size of changes in a security's value. A higher volatility means that a security's value can potentially be spread out over a larger range of values. This means that the price of the security can change dramatically over a short time period in either direction. A lower volatility means that a security's value does not fluctuate dramatically, but changes in value at a steady pace over a period of time. Volatility can either be measured by using the standard deviation or variance between returns from that same security or market index.

A full glossary of definitions is available at blackrock.com/institutions/en-gb/resources/education/glossary.



 $BLACKROCK^{\circ}$