



Swiss Financial Services Act (“FinSA”) Information Disclosures under the Third-Party Manager Program – BlackRock Investment Management (UK) Limited

February 2026

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1. Introduction

This Swiss Financial Services Act (“FinSA”) Information Disclosures (“**Document**”) is intended to provide you with the disclosures required under art. 8 and art. 9 of the Swiss Financial Services Act (“**FinSA**”) and its implementing ordinance in relation to the provision of the financial service of administering financial instruments (portfolio management) by BlackRock Investment Management (UK) Limited (“**BIM UK**”), in accordance with art. 3 (c) (3) FinSA, as part of the Third-Party Manager Program between BlackRock and your service provider.

This Document should be read in conjunction with any materials provided to you by your service provider.

2. About BlackRock and Its Services

BlackRock Investment Management (UK) Limited, Drapers Gardens, 12 Throgmorton Avenue, London EC2N 2DL, United Kingdom, is authorised and regulated by the UK Financial Conduct Authority (“FCA”) -12 Endeavour Square, London E20 1JN, United Kingdom.

BIM UK is authorised and regulated in its home jurisdiction for the provision the following investment services:

- Portfolio Management;
- Investment Advice;
- Execution of orders on behalf of clients; and/or
- Reception and transmission of orders in relation to one or more financial instruments.

In this context, the financial service “administration of financial instruments (portfolio management)” in accordance with art. 3 (c) (3) FinSA is of relevance only (referred to as the “**Service**”).

BIM UK is part of the BlackRock Group (or “BlackRock”), details of which can be found on [blackrock.com](https://www.blackrock.com).

Unless stated otherwise in the relevant agreement entered into by BIM UK and your service provider (“**Agreement**”), financial instruments considered and purchased by BIM UK (on behalf of its clients) are not limited to those issued, managed, advised or sponsored by a BlackRock Group company.

In relation to the Service, BIM UK will use reasonable endeavours to meet the investment criteria and objectives, including any performance targets and risk limits as set out in the Agreement, but does not give any warranty or guarantee that they will be achieved.

3. Affiliation with Ombudsman

BIM UK is affiliated with the Finanzombudsstelle Schweiz (“**FINOS**”).

Contact details

Address: Talstrasse 20, 8001 Zurich, Switzerland.

Telephone: +41-44 552 08 00

If you are dissatisfied with the outcome of our investigation into a complaint you raised with BIM UK, you may refer your complaint to the FINOS Ombudsman to initiate a mediation proceeding.

4. Client Classification

In accordance with Article 4 (3) of FinSA, BIM UK has classified your service provider as a Professional Client, as acknowledged and agreed by the service provider.

Your service provider has classified each of its clients in Switzerland, for whom services provided are subject to FinSA (“FinSA clients”), as either (i) institutional, (ii) professional, or (iii) retail clients.

5. Complaints

We have a complaints handling policy in place that establishes minimum, consistent complaint handling standards ensuring BIM UK investigates all client complaints competently, diligently, promptly, and in an independent manner.

Further information on our complaints handling procedures can be provided on request. Alternatively, you can find information on our complaints handling procedure on our website.

6. Delegation

BIM UK may delegate the Service for all or part of a portfolio under the Agreement to an Affiliated party in accordance with the terms of the Agreement.

7. Risk Warnings

BIM UK appreciates that some individuals have a sophisticated understanding of the risks inherent in investments. However, it also recognises that some risks and financial instruments may not be as visible or as well understood.

The risk warnings set out in Appendix 2 are designed to improve the understanding of some of the more sophisticated instruments, strategies and their associated risks.

In addition, the risk factors that are specific to collective investment schemes or other pooled funds, or other products that may be held in a portfolio, should also be considered. These warnings should not be considered an exhaustive list of all risks and further information is available on request.

8. Conflicts of Interest

In the course of providing the Service, BIM UK, including other companies within the BlackRock Group, their employees, and their other clients, may encounter conflicts with the interests of its clients and its own interests. Although BlackRock maintains a Global Conflicts of Interest Policy, it is not always possible to fully mitigate the risk of detriment to a client's interests.

The types of potential or actual conflicts which BlackRock considers it cannot, with reasonable confidence, fully prevent the risk of damage to the interests of a client, are disclosed below and may be updated from time to time.

8.1. Timing of Competing Orders

When handling multiple orders in the same security and in the same direction generated at or around the same time on behalf of different clients, BlackRock seeks to achieve the best overall result for each order equitably on a consistent basis by considering various factors, including but not limited to, the characteristics of the orders, regulatory constraints, or prevailing market conditions.

Generally, this is achieved through the aggregation of competing orders. Conflicts of interest may arise if a trader does not aggregate competing orders that meet eligibility requirements or aggregates those orders that do not meet eligibility requirements; this may give rise to the appearance of preferential execution on one order over another. For a client specific trade instruction, there may be a risk that better execution terms will be achieved for a different client. For example, if the order was not included in an aggregation.

The BlackRock Group maintains a Global Execution and Order Placement Policy and a Global Investment and Trading Allocation Policy, which govern the sequencing and the aggregation of orders.

8.2. Concurrent Long and Short Investing

BlackRock may establish, hold, or unwind opposite positions (i.e., long and short) in the same security at the same time for different clients. This may impact the interests of BlackRock's clients on one either side. Additionally, portfolio management teams across the BlackRock Group may have long only mandates and long- short mandates; they may short a security in some portfolios that are held long in

other portfolios. Investment decisions to take short positions in one account may also impact the price, liquidity, or valuation of long positions in another client account, or vice versa. The BlackRock Group maintains a Global Long Short Policy which establishes protocols for treating accounts fairly.

8.3. Partial Fills

When executing a transaction in a security on behalf of a client, it can be aggregated, and the aggregated transaction fulfilled with multiple trades. Trades executed with other client orders result in the need to allocate those trades. The ability of each BlackRock trader to allocate trades to a certain client's account can be limited by the size and price of those trades relative to the size of the clients' instructed transactions. A process of allocation can result in a client not receiving the whole benefit of the best priced trade.

The BlackRock Group maintains a Global Investment and Trading Allocation Policy, which is designed to help ensure the fair treatment of all clients' accounts over time.

8.4. Material Non-Public Information

BlackRock Group companies receive Material Non-public Information ("MNPI") in relation to listed securities in which BlackRock Group companies invest on behalf of clients. To prevent wrongful trading, the BlackRock Group has established information barriers and, with regard to those investment teams in possession of the MNPI, restricts trading in the security, or securities, of the issuer to which the MNPI relates. Such restrictions may negatively impact the investment performance of client accounts. BlackRock has implemented a Material Non-Public Information Barrier Policy.

8.5. Limited Investment Opportunities

Where limited investment opportunities exist that may be of interest to more than one client, a potential conflict may arise between the interests of (and duties to) those clients. In certain instances, the allocation of a particular investment opportunity may be offered to only some clients, but not all.

Additionally, BlackRock may be restricted in its investment activities due to ownership threshold limits and reporting obligations in certain jurisdictions applying in aggregate to the accounts of clients of the BlackRock Group. Such restrictions may adversely impact clients through missed investment opportunities.

The BlackRock Group maintains a Global Investment and Trading Allocation Policy, which is designed to allocate limited investment opportunities among affected accounts fairly and equitably over time.

8.6. Investment in BlackRock In-House Funds

While providing the Service, BIM UK may recommend and/or invest in products (including collective investment schemes or other pooled vehicles) serviced by BlackRock Group companies. BlackRock may also recommend Services provided by BlackRock or its affiliates. Such activities could increase BlackRock's revenue. In managing this conflict, BlackRock seeks to provide the Service in accordance with the Agreement in place. Additionally, all BlackRock employees are required to act in accordance with the BlackRock Code of Business Conduct and Ethics.

Certain investors in BlackRock In-House funds, which may include investors receiving accelerated disclosure of fund holding information or BlackRock Group companies investing on behalf of other clients, may have an informational advantage when compared to other investors investing in the applicable BlackRock In-House funds.

Investors with an informational advantage may be in a position to take more informed decisions (for example, to invest in/divest from) regarding the applicable BlackRock In-House funds before other investors.

8.7. Information Barriers

BlackRock has established certain information barriers and other policies to address the sharing of information across BlackRock, including, effective on or about January 21, 2025, with respect to

personnel responsible for managing and voting proxies on behalf of certain investment strategies. While information barriers are a generally expected feature of an effective risk control framework and allow for independent decision-making and the disaggregation of ownership across different BlackRock investment businesses, the investment strategies and rights applicable to certain BlackRock Clients may be limited and investment outcomes for such BlackRock clients may differ when compared to other BlackRock clients as a result of BlackRock businesses having differing levels of access to and the benefit of certain information and personnel.

8.8. Private Investments

BlackRock may invest on behalf of its client accounts in a range of private securities. Potential conflicts may arise from such private investments, including but not limited to, where various BlackRock investment teams are considering the same opportunity, where client accounts are invested at different levels of the security issuer's capital structure, or where client accounts are holding private securities of the same issuer and such securities carry different rights or features that could be in conflict with each other.

BlackRock Group has established various policies and procedures that are designed to manage and mitigate conflicts arising from private investments. Should a new or specific conflict arise it will be assessed and mitigated on a case-by-case basis. Any such assessment will take into consideration the interests of the relevant client accounts, the circumstances giving rise to the conflict and applicable laws. While the firm seeks to manage conflicts to avoid any adverse impact, in certain circumstances it may not be possible to eliminate all conflicts. In such cases, the firm will take appropriate steps to mitigate and provide clear disclosure to affected clients.

9. Costs & Charges

BIM UK will provide your service provider with the necessary information regarding the costs and charges expected to be incurred in connection with the Service. This information will be delivered in the format required under applicable law prior to the commencement of the Service.

BIM UK may update this information if there are changes to the Service that, in its discretion, are considered material for the purposes of such disclosure, or based on observed actual charges over time.

On an annual basis, BIM UK will also provide your service provider with the necessary information on costs and charges actually incurred in relation to the Service, in accordance with applicable regulations. Where the Service has been provided for only part of an annual reporting period, BIM UK will report incurred costs and charges in line with its standard annual reporting cycle, which may occur significantly after the cessation of the Service, unless BIM UK has agreed to provide such information earlier.

10. Inducements

In the course of providing the Service, BIM UK may accept permissible minor non-monetary benefits from third parties which consist of the following:

- generic information on financial instruments or investment services;
- written material that is commissioned and paid for by a corporate issuer or potential issuer to promote a new corporate issuance (pre-deal research), or for ongoing research coverage of the issuer (issuer-sponsored research), which clearly discloses the relationship with the issuer and is made available at the same time to all interested firms, or to the general public;
- participation at conferences, seminars and other training events on the benefits and features of specific financial instruments and investment services (for example, an investment bank may provide training on a new product it is launching);
- hospitality of a reasonable de minimis value, including food and drink during a business meeting, seminar, conference or training session;
- research relating to an issue of securities, which is produced by an underwriter/placing agent acting for the issuer and (i) is produced prior to the issue being completed; and (ii) is made available to prospective investors in the issue (for example, pre-deal investor education material

which is produced by the investment bank underwriting or placing that issue to help asset managers decide whether or not to invest in a new issuance); or

- research which is received for limited trial periods so that BlackRock may evaluate a research provider's research service.

In each case BIM UK will accept such minor non-monetary benefits if it considers that they are:

- capable of enhancing the quality of the service provided by BlackRock to clients;
- of a scale and nature that they could not be judged to impair BlackRock's compliance with its duty to act honestly, fairly and professionally in the best interests of its clients; and
- reasonable, proportionate and of a scale that is unlikely to influence BlackRock's behaviour in any way that is detrimental to the interests of its clients.

APPENDIX 1

Appendix 1 – Summary of BlackRock’s Global Conflicts of Interest Policy

1. Introduction

BlackRock has implemented a Global Conflicts of Interest Policy (“the Policy”) which governs the responsibility of BlackRock, Inc. and its wholly owned subsidiaries (“BlackRock”) and all BlackRock employees to place the interests of BlackRock’s clients first and to identify, avoid, or where they cannot be avoided, manage any conflicts of interest inherent to BlackRock’s business, including but not limited to, all types of conflicts that may arise within BlackRock’s investment processes, systems and internal controls.

2. Scope

The Policy covers all potential and actual conflicts that could damage a client’s interests. All employees must conduct themselves in accordance with the Policy and seek to avoid even the appearance of improper behaviour.

Conflicts are generally categorised as follows and a non-exhaustive list of examples is provided by way of illustration:

2.1. BlackRock vs. Client

Conflicts between BlackRock’s interests and those of its Clients

There is a risk that BlackRock could place its own interests ahead of its clients’. For instance, by making discretionary investments into funds where BlackRock is the Investment Manager and thus receiving additional fees.

2.2. BlackRock Employee vs. Client

Conflicts between interests of BlackRock staff and those of its Clients

There is a risk that situations may arise where BlackRock’s staff act in their own interest rather than a client’s interest. For example, as a result of staff remuneration schemes or where staff have a personal relationship, outside business activity, or a relationship with a current or prospective issuer.

Relationships between BlackRock and its Subsidiaries

There is a risk that BlackRock acts in the interest of another BlackRock business to the disadvantage of a client. For instance, by entering into arrangements on behalf of a client with an associated company on terms other than at arm’s length.

2.3. Client vs. Client

Conflicts between the interests of two or more BlackRock Clients

Since BlackRock services multiple client accounts, there is a risk that the interests of one client may conflict with those of another. In such scenarios, which cannot be avoided, BlackRock must determine a course of action which is fair. For example, when BlackRock is faced with allocating available shares in a high-demand investment opportunity.

3. Policy

3.1. Identification & Management of Conflicts

BlackRock employees are responsible for the identification and management of conflicts and as such will:

- Take all reasonable steps to identify conflicts of interest, real or perceived that arise or may arise, including those that arise as a result of the structure and activities of other parts of the BlackRock Group
- Maintain and operate effective organisational and administrative arrangements with a view to taking all appropriate steps to prevent conflicts of interests from giving rise to a risk of damage to the interests of clients
- Help to establish, maintain and regularly update a conflicts of interest register. In addition, this record will be reviewed periodically and when there are significant changes to the nature of services and activities undertaken, the structure of the business and new product launches; and
- Make disclosure of the nature of a conflict to a client before undertaking business for the client in cases where the measures to manage conflicts are not considered sufficient to ensure, with reasonable confidence, that risks of damage to the interests of a client will be prevented. This disclosure will be made in a durable medium and in

sufficient detail to enable the client to make an informed decision about the relevant service or product.

For a conflict to exist there must be a possible disadvantage or loss to a client.

3.2. Effective Arrangements

BlackRock's organisational and administrative arrangements to manage conflicts are to be designed such that, when undertaking activities that involve a conflict of interest, relevant persons carry out those activities at an appropriate level of independence. Controls should include, as a minimum, one or more of the following:

- effective procedures to prevent or control the exchange of information where such exchange may harm the interests of one or more clients. For example, the use of an information barrier
- separate supervision of relevant persons whose principal functions involve activities that might give rise to a conflict of interest
- the removal of any direct link between the remuneration of different groups of relevant persons where there is an underlying conflict between the activities of those groups
- measures to prevent or limit any person from exercising inappropriate influence over relevant persons
- segregation of duties to prevent relevant persons being involved simultaneously or sequentially in separate services or activities where such involvement could impair the management of conflicts of interest
- involvement of senior management and the utilisation of reporting and management information as appropriate; and
- appropriate policies for example, Aggregation and Fair Allocation Policies, new product approval procedures, Code of Ethics policies (including Personal Account dealing rules)

3.3. Escalation of Conflicts to Management

Where new conflicts are identified they are to be reported to the Legal and Compliance

Department and relevant Supervisor. Conflicts are to be avoided and, if not, appropriate action taken to prevent the risk of detriment to clients' interests. Conflicts are escalated to the Conflicts Oversight Committee and the relevant BlackRock Boards or the Board's appointed committees. The key steps taken to manage the conflicts are recorded in the conflicts of interest register.

3.4. Disclosure of Conflicts to Clients

Where the risk of detriment to clients' interests may not, within reasonable confidence, be prevented, the conflict scenario is disclosed to clients prior to proceeding with the proposed arrangement, and as may be required by local regulatory requirements.

3.5. Record Keeping

The Policy and a record of the kinds of services and activities undertaken which might give rise to a conflict of interest are to be retained for at least five years, and in line with the Global Records Management Policy.

3.6. Delegation

For Alternative Investment Fund Managers Directive ("AIFMD") purposes, BlackRock may delegate portfolio management and/or risk management functions to other entities whose interests might conflict with its interests or those of the investors of the relevant Alternative Investment Fund ("AIF"), provided that each such entity has functionally and hierarchically separated the performance of its portfolio management or risk management tasks from its other potentially conflicting tasks and that the potential conflicts of interest are properly identified, managed, monitored and disclosed to the investors in the AIF.

APPENDIX 2

Appendix 2 – Risk Warnings

1. General

The risk factors below should be considered before investing. This list must not be taken to be comprehensive. It should also be noted that there may be new risks that arise in the future which could not have been anticipated in advance. Also, risk factors listed will apply to different investments to different degrees and, for a given investment, this degree could increase or reduce through time.

Investments may expose investors to the risk of a total loss of the amount invested plus any commission or other transaction charges. The value of investments may decline due to changes in general market conditions, economic trends or events that are not specifically related to the company, or factors that affect a particular country, group of countries, region, market, industry, group of industries, sector or asset class. Local, regional or global events such as war, acts of terrorism, the spread of infectious illness or other public health issue, recessions, or other events could have a significant impact on the investments.

From time to time, investments that have additional terms and conditions, for example, a BlackRock fund or a structured product, may be made available. These additional terms and conditions may be contained in various types of documents, including (without limitation) documents referred to as a “prospectus”, “offering memorandum”, “final terms” or “terms and conditions”. These documents may contain additional descriptions of risk that apply to the particular investment, and it is important that clients read these. Also, the terms and conditions of those investments may also give rise to other risks and the relevant investment to which they apply may have features that are not commonly found in the relevant category of investment. The value of investments and the income from them may fall as well as rise and an investor may not get back the amount invested.

The impact of market conditions on an investment will depend on the particular features of the investment and the way in which

those features interact with each other. For example, an investment that is designed to track an index or other benchmark should (all things being equal) perform in a similar way to that index or benchmark. However, the performance of the investment may diverge from the index or benchmark, for example because: (a) the investment techniques used have not been able to replicate the index or benchmark; (b) of the effect of fees and transactional costs; or (c) the investment is exposed to other risks (such as the credit risk of the issuer as would be the case where the investment is a structured product):

Provided investments are made involving exposure to a currency other than the base currency of a collective investment scheme (“CIS”) or a separate portfolio of investments being invested in by the client (the “Portfolio”), changes in rates of exchange may cause the value of the investment to go up or down.

Where BIM UK is acting as the Investment Manager, we are permitted to undertake transactions in securities where either:

- The securities are listed investment entities or investment trusts where the issuer uses or proposes to use ‘gearing’ as an investment strategy, where money is borrowed to invest; or
- The securities invest, or propose to invest, in listed investment entities or investment trusts where the issuer uses or proposes to use gearing as an investment strategy, the client is warned that the strategy which the issuer of securities uses or proposes to use may result in:
 - Movements in the price of the securities being more volatile than the movements in the price of underlying investments;
 - Investment being subject to sudden and large falls in value; and
 - Clients getting back nothing at all if there is a sufficiently large fall in value in the Investment. BIM UK as Investment Manager may from time to time conduct designated investment business as defined by

the FCA Rules, from offices not located in its home state, but from an alternative jurisdiction.

1.1.Liquidity Risk

The lack of liquidity gives rise to the risk that an investor will not be able to convert an asset to cash quickly. The risk of a lack of liquidity exists when particular investments are difficult to purchase or sell (e.g., not publicly traded and/or no market is currently available or may become less liquid in response to market developments). This can reduce a portfolio's returns because the portfolio may be unable to transact at advantageous times or prices. Investments that are illiquid or that trade in lower volumes may be more difficult to value.

Investing in illiquid assets is riskier because there might not be a way for investors to get their money out of the investment at the time of their choosing or at all, or they may only be able to do so by accepting a lower price. Examples of assets with good liquidity typically include blue chip common stock and those assets in the money market. A fund with good liquidity would be characterised by having enough units outstanding to allow large transactions without a substantial change in price.

This can be driven by the portfolio's needs, for example, to accommodate margin calls on derivatives. As a result, investments may need to be sold.

Certain investments, (such as investments in restricted or non-publicly traded securities, or certain types of CIS, or property, infrastructure and land) may be relatively illiquid and there may be no public market for dealing in them. These investments could prevent the Investment Manager from liquidating unfavourable positions promptly and subject a client to substantial losses. Such investments could also impair the ability of investors to collect redemption proceeds in a timely manner.

A CIS/portfolio may from time to time, invest in investments in which a market is made by less than three independent Market Makers. The client should note that, in the case of a CIS, the operator of the CIS is usually the only Market Maker.

A CIS/portfolio may invest in investments that are not readily realisable. This refers to the situation where the relevant investment is not regularly traded or where there is no recognised market for such investments, and it may therefore be difficult to deal in any such investment or to obtain reliable information about its value or the extent of the risks to which it is exposed.

A CIS/portfolio may be exposed to finance sector companies, as a service provider or as counterparty for financial contracts (for example, derivative instruments). Liquidity in the financial markets may become restricted, or in some extreme cases, become insolvent. This may have an adverse effect on the activities of the CIS/portfolio.

1.2.Redemptions

The terms and conditions applicable to the underlying investments (especially where the underlying investment is a CIS), may mean the underlying investments may:

- be closed-ended and offer no redemption rights; or
- distribute assets in kind rather than pay
- redemptions in cash; and/or
- suspend redemptions and/or the calculation of their net asset value ("NAV"), thereby precluding a portfolio from liquidating its interest in such investments.

An investor seeking to redeem shares in a CIS may be subject to the risks of an underlying Investment until such time that a CIS has actually received its sales proceeds from the investment.

In the event that an investment suspends redemptions or fails to pay redemption proceeds, it may not be possible for a CIS to pay redeeming investors their entire redemption amount.

Certain CISs' redemption policies may allow redemption notices with a shorter period than the CIS is actually able to sell the underlying assets that it holds. As a result of the difference between redemption policies of a CIS and of its underlying investments, an Investment Manager for a CIS may be required to select

investments for liquidation on the basis of the redemption policies of such investments rather than other investment considerations.

This may result in the remaining portfolio of investments being less diverse in terms of investment strategies, number of investment managers or investments, liquidity or other investment considerations than would otherwise be the case.

In addition, the redemption of a CIS from an underlying investment could also involve expense to a CIS under the terms of the investment. Furthermore, a CIS may enter into separate agreements with certain investors, which may, by creating preferences or priorities for such investors, adversely affect the liquidity of a CIS.

1.3.Suspensions of Trading

Under certain trading conditions it may be difficult or impossible to liquidate a position. This may occur, for example, during periods of rapid price movement where the price rises or falls in one trading session, to such an extent that under the rules of the relevant exchange trading is suspended or restricted. Placing a stop-loss order will not necessarily limit an investor's losses to the intended amounts, because market conditions may make it impossible to execute such an order at the stipulated price.

1.4.Clearing House Protections

Transactions held centrally through a clearing house benefit from a number of added layers of protection. Details differ from one clearing house to another, but typical safeguards include:

- Membership obligations
- Margin and capital requirements
- Default procedures emphasizing prompt resolution and
- Maintenance of supplemental clearing house resources

Where a client accesses a clearing house indirectly through a clearing member, the protections afforded by the clearing house may differ or may be limited to the clearing house's exposure to the direct clearing member.

On request, BlackRock will explain any protection provided to the client under the clearing guarantee applicable to the derivative contracts they are trading.

1.5.Counterparty Risk

Counterparty risk relates to uncertainty in an organisation's ability to meet its obligations.

A CIS/portfolio will be exposed to credit risk on parties with whom it trades and may also bear the risk of settlement default. For example, in the event of a bankruptcy or other default of a seller of a repurchase agreement, the relevant fund could experience delays in liquidating the underlying securities.

Losses may also be incurred, including a possible decline in value of the underlying securities during the period when the relevant CIS/portfolio seeks to enforce its rights. This could reduce the levels of income and access to income during this period, and the expense of enforcing its rights.

Counterparty risks are bilateral, as both parties may face exposures depending on the value on the positions that they hold against each other.

1.6.Concentration Risk

The risk that there is an insufficient level of diversification such that a CIS/portfolio is excessively exposed to one or a limited number of investments.

1.7.Insolvency

Insolvency of, or default by BlackRock, or that of any brokers involved with client transactions, may lead to positions being liquidated or closed out without the client's consent.

In certain circumstances, a client may not get back the actual assets which they lodged as collateral, and they may have to accept any available payments in cash.

On request, BlackRock must provide an explanation of the extent to which it will accept liability for any insolvency of, or default by, other counterparties involved with their clients.

1.8.Commissions

Before a client begins to trade, they should obtain details of all commissions and other charges for which they will be liable. If any charges are not expressed in money terms (but, for example, as a percentage of contract value), they should obtain a clear and written explanation, including appropriate examples, to establish what such charges are likely to mean in specific money terms.

In the case of futures, when commission is charged as a percentage, it will normally be as a percentage of the total contract value, and not simply as a percentage of their initial payment.

1.9. Accumulation of Fees/Expenses

As a CIS/portfolio may invest in third party funds, the investors may incur a duplication of fees and commissions (such as management fees, including performance fees, custody and transaction fees, central administration fees and audit fees). To the extent these third-party funds are permitted to invest in turn in other funds, investors may incur additional fees.

1.10. Collateral

If a client deposits collateral as security, the way in which it will be treated will vary according to the type of transaction and where it is traded. There could be significant differences in the treatment of their collateral depending on whether a client is trading on a recognised or designated investment exchange, with the rules of that exchange (and the associated clearing house) applying or trading off-exchange.

Deposited collateral may lose its identity as client's property, once dealings on their behalf are undertaken. Even if their dealings should ultimately prove profitable, a client may not get back the same assets which they deposited and may have to accept payment in cash. A client should ascertain from BlackRock how their collateral will be dealt with.

1.11. Securities Which May be Subject to Stabilisation

Stabilisation enables the market price of a security to be maintained artificially during the period when a new issue of securities is sold to the public.

Stabilisation may affect not only the price of the new issue but also the price of other securities relating to it.

The FCA allows stabilisation in order to help counter the fact that, when a new issue comes onto the market for the first time, the price can sometimes drop for a time before buyers are found.

Stabilisation is carried out by a 'Stabilisation Manager' (normally the lead investment manager responsible for bringing a new issue to market). As long as the stabilisation manager follows a strict set of rules, they are entitled to buy back securities that were previously sold to investors or allotted to institutions which have decided not to keep them. The effect of this may be to keep the price at a higher level than it would otherwise be during the period of stabilisation.

The fact that a new issue or a related security is being stabilised should not be taken as any indication of the level of interest from investors, or of the price at which they are prepared to buy the securities.

The stabilisation rules:

- limit the period when a Stabilisation Manager may stabilise a new issue;
- fix the price at which it may stabilise (in the case of shares and warrants but not bonds); and
- require it to disclose that it may stabilise but not that it is actually doing so.

1.12 Hybrid Financial Instruments

Certain financial instruments may combine features of one or more other financial instruments. For example, convertible bonds and structured products. Where this is the case, the financial instrument will typically exhibit the risks of each of those financial instruments of which it is comprised, but those risks may interact with each other in ways which magnify those risks and/or give rise to other risks and this may depend on the particular circumstances and market conditions.

1.13 Interest Rate Risk

Fixed income asset prices can decline significantly when interest rates rise. Long-

term bonds are more sensitive to interest rate changes given the amount of payments accumulating in the future, making them more volatile compared to short-term bonds.

1.14 Sustainability Risks Disclosure

Sustainability risk is an inclusive term to designate an investment risk (probability or uncertainty of occurrence of material losses relative to the expected return of an investment) that relates to Environmental, Social or Governance issues.

Sustainability risk around environmental issues includes, but is not limited to,

1. **Climate physical risk:** The risk associated with the physical impacts due to climate change. Physical risk arises from the physical effects of climate change, acute or chronic. For example, frequent and severe climate-related events can impact products and services and supply chains.
2. **Climate transition risk:** Whether policy, technology, market or reputation risk arises from the adjustment to a low-carbon economy in order to mitigate climate change.
3. **Stakeholder management risk:** A broad range of positive and negative factors, traditionally considered “non-financial” that can impact an issuer’s operational effectiveness and resilience as well as its public perception, and social license to operate. Examples can include but are not limited to labour rights and community relations.
4. **Governance related:** risks can include but are not limited to risks around board independence, ownership & control, or audit & tax management. These risks can impact an issuer’s operational effectiveness and resilience as well as its public perception, and reputation affecting its profitability and in turn, its capital growth, and ultimately impacting the value of holdings in a portfolio.

These are only examples of sustainability risk factors and sustainability risk factors do not solely determine the risk profile of the investment. The relevance, severity, materiality and time horizon of sustainability risk factors and other risks can differ significantly by portfolios.

Sustainability risk can manifest itself through different existing risk types (including, but not limited to, market, liquidity, concentration, credit, asset-liability mismatches etc.). By way of example, a portfolio may invest in the equity or debt of an issuer that could face potentially reduced revenues or increased expenditures from physical climate risk (e.g., decreased production capacity due to supply chain perturbations, lower sales due to demand shocks or higher operating or capital costs) or transition risk (e.g., decreased demand for carbon-intensive products and services or increased production costs due to changing input prices). As a result, sustainability risk factors may have a material impact on an investment, may increase the volatility, affect liquidity and may result in a loss to the value of investments in a portfolio.

The impact of those risks may be higher for strategies or portfolios with particular sectoral or geographic concentrations. For example, strategies may have geographical concentration in locations susceptible to adverse weather conditions where the value of the investments in the portfolio may be more impacted by adverse physical climate events. Strategies with a focus on emerging markets may face additional impacts on the value of its investments in companies located in such markets as a result of sustainability risks, in particular those caused by environmental events resulting from climate change, social issues (including relating to labour rights) and governance risk (including but not limited to risks around board independence, ownership & control, or audit & tax management). Additionally, disclosures or third-party data coverage associated with sustainability risks is generally less available or transparent in these markets.

Portfolios with specific sectoral concentrations such as investing in industries or issuers with high carbon intensity or high switching costs associated with the transition to low carbon alternatives, may be more impacted by climate transition risks. The stock prices of companies operating in natural resource related sectors, may also be more impacted as a result of environmental factors (both physical changes related to climate change and the transition to alternative energy), as well as social and governance factors. All or a combination of these factors may have an unpredictable impact on the relevant portfolio's investments. Under normal market conditions such events could have a material impact on the value of the portfolio.

Assessments of sustainability risk are specific to the asset class and to the portfolio's objective. Different asset classes require different data and tools to apply heightened scrutiny, assess materiality, and make meaningful differentiation among issuers and assets. Risks are considered and risk managed concurrently, by prioritizing based on materiality and on the portfolio's objective.

The impacts of sustainability risk are likely to develop over time and new sustainability risks may be identified as further data and information regarding sustainability factors and impacts becomes available and the regulatory environment regarding sustainable finance evolves. These emerging risks may have further impacts on the value of your portfolios.

1.15 General

In addition to the above general risks, certain categories of financial instruments are impacted by additional risks, as described below.

2. Transferable Securities

2.1. Equities

Prices of equities fluctuate daily and can be influenced by many micro and macro factors such as political and economic news, corporate earnings reports, demographic trends and catastrophic events. The value of equities will go up and down and the value of a CIS/Portfolio investing in equities could incur significant losses.

When a CIS/Portfolio buys or subscribes for equities issued by a company, a CIS/Portfolio is buying a part of that company and it becomes an investor in it, which usually means it has the right to vote on certain issues.

A CIS/Portfolio can either buy new shares when the company sells them to raise money (through an initial public offering) or buy existing shares which are traded on the stock market. The aim is for the value of a CIS's/Portfolio's shares to grow over time as the value of the company increases in line with its profitability and forecasted growth.

A CIS/Portfolio may also receive a dividend, which is income paid out of the company's

profits. Longer-established companies usually pay dividends whilst growing companies tend to pay lower, or no, dividends (with these an investor would typically be hoping for better capital growth).

Under normal circumstances, an investor in a company has no right to require that company to return capital to it. Unless the company chooses to return capital to the investor (for example by effecting a share buyback), or the shares carry redemption rights exercisable by the investor (which is normally not the case), the investor's only way to realise its investment will be to sell the equities to another investor.

Consequently, an investor's return from investing in the equity will depend to a large extent on the market price of the equities at the time of the sale. The market price of equity is affected by the supply of, and demand for, that equity within the market. In turn, supply and demand (and therefore the volatility of the share price) is affected by a number of factors including:

- **Domestic vs. International Factors**

The vulnerability of the company to international events or market factors, including movements in exchange rates, changes in trade or tariff policies and changes in other stock or bond markets

- **Sector Specific Factors**

These would include demand for the product the company produces, commodity prices, the economic cycle of the company's industry, changes in consumer demands, lifestyle changes and changes in technology.

- **Company Specific Factors**

These would include the company's directors, the strength of the company's management and the significance of any key personnel, the company's profit history, the company's tangible asset base, debt level and fixed cost structure, litigation, profits or losses on particular contracts, competition from within the sector, and whether the company already has a profitable business or whether it is exploring for recoverable resources or is developing a new product.

A stock market level goes up or down as the prices of the shares that are the constituents of that market go up or down. The main factor determining the price of a share is the perception of its current value to its owner.

One factor that could affect the price of equities is a change in opinion as to how well the company itself is performing or could perform in the future. This opinion is frequently based on predictions about the economic conditions in which a company is operating, which is why it might seem that stock markets go up or down depending on economic conditions.

Equities are generally a fairly volatile asset class; their value tends to go up and down more than other classes such as bonds and regulated CIS. If a client's portfolio is investing in equities, a portfolio should expect the value of its investments to go down as well as up, and a client should be comfortable with this.

Holding equities is high risk, if a portfolio has put all its money into one company and that company becomes insolvent then a portfolio will probably lose most, if not all, of its money.

In the short term, equities may go up and down in value and this can occasionally be very significant. However, if a portfolio has a wide range of equities, it reduces the likelihood of losing all or most of its money.

The liquidity of the equities may be affected by whether the equities are listed or unlisted. Where equities are unlisted it may be more difficult to deal in them or to obtain reliable information about their value (and it may therefore be difficult to establish a proper market in them for the purposes of making a subsequent sale).

On occasion a portfolio may invest in listed equity investments where the issuer proposes to use borrowing or other forms of gearing to enhance the return for or value of investments it has made without increasing the amount invested. The value of such investments may be more volatile than the underlying investments made by the issuer and may be subject to sudden and large falls in value and, if the fall in value is sufficiently large, the value of the investment may fall to zero.

If a company goes into liquidation, its investors rank behind the company's creditors (including its subordinated creditors) in relation to the realisation and distribution of the company's assets, with the result that an investor will normally only receive any money from the liquidator if there are any remaining proceeds of the liquidation once all of the creditors of the company have been paid in full.

Remember, as an investor in the company, a portfolio could lose some or all of the money that it has invested in the shares.

In addition to the above general risks, the following types of equity investments are impacted by additional risks:

2.1.1. Warrants

A warrant is a time-limited right to subscribe for shares or bonds at a particular price and is exercisable against the issuer of the warrants.

The issuer of the warrants might be either the original issuer of the underlying securities or a third-party issuer that has set aside a pool of the underlying securities to cover its obligations under the warrants, known as "covered warrants".

Generally, the success of investing in warrants depends primarily on how the underlying asset performs during the life of the warrant.

The price of the warrants will be affected by the risk factors that can affect the price of the underlying securities to which the warrant relates. A relatively small movement in the price of the underlying security results in a disproportionately large movement, unfavourable or favourable, in the price of the warrant. The prices of warrants can therefore be volatile.

The right to subscribe for underlying securities conferred by a warrant is invariably limited in time with the consequence that if the investor fails to exercise this right within the predetermined timescale, then the Investment becomes worthless. The price of a warrant may reflect the value attributed to the life of the warrant.

A client's portfolio should not buy a warrant unless it is prepared to sustain a total loss of the

money it has invested plus any commission or other transaction charges.

Transactions in 'off-exchange' warrants may involve greater risk than dealing in 'exchange-traded' warrants because there is no exchange market through which to liquidate a portfolio's position, or to assess the value of the warrant or the exposure to risk. Bid and offer prices need not be quoted, and even where they are, they will be established by dealers in these instruments and consequently it may be difficult to establish what a fair price is.

Each warrant is a contract between the warrant issuer and the holder. A portfolio is therefore exposed to the risk that the issuer will not perform its obligations under the warrant.

Issuers of warrants sometimes reserve the right to nominate an extraordinary event which may result in the early expiry of a warrant series. The types of events which may be nominated as an extraordinary event are set out in the terms of issue of a warrant series:

- Suspension in trading of the underlying security; and
- De-listing of the underlying company and a takeover of the underlying company.

As a consequence of an extraordinary event, the warrant's expiry date may be brought forward, or the warrant may lapse with any intrinsic payment provided to the holder.

2.1.2. Penny Shares

A 'Penny Share' is a loose term used to describe equities which have a speculative appeal because of their low value.

If the equities in which a portfolio is invested include penny shares, a client should be aware that there may be a significant difference between the purchase and sale price of such equities and, if a portfolio needs to sell the equities, it may get back much less than it paid for them.

2.1.3. Investment Trusts

An investment trust is a company that meets certain eligibility criteria and ongoing requirements under UK legislation (including that its shares are admitted to trading on a

regulated market), has been approved as an investment trust by Her Majesty's Revenue and Customs (HMRC), and has been formed for the purposes of investing in other companies or assets. An investment trust therefore gives its investors the opportunity to invest in those underlying assets on a pooled basis. In this last respect, they are similar to other pooled investment vehicles such as open-ended CISs (see Section 6 below) but, unlike open-ended investment vehicles, an investment trust is closed-ended.

This means there are a set number of shares available, and (in the absence of a formal increase in capital, share buyback and/or tender offer) this will remain the same over time.

The price of the investment trust shares consequently depends on two main factors:

- the value of the underlying investments; and
 - the popularity (or unpopularity) of the investment trust shares in the market. This popularity factor is relevant because an investment trust is closed-ended and so (in the absence of new issues, buybacks and/or tender offers) has a fixed number of shares. The laws of economics say that if there is a high demand for something, but limited supply, then the price goes up. So, if an investor owns investment trust shares and there are lots of people who want to buy those shares, then the investor will likely be able to sell them at a higher price than if there are very few people who want to buy the shares. On the other hand, if there is limited or no demand for the shares and an investor wishes to sell their shares, then the investor will have to drop the price until someone is prepared to buy.
- **NAV performance and share price performance**

The NAV performance is not the same as share price performance, and shareholders may realise returns that are lower or higher than NAV performance.

- **Discount to NAV**

Investment trust shares frequently trade at a discount to the NAV, which occurs when the share price is less than the NAV.

If investment trust shares are trading at a discount to the NAV per share, the price that a client pays or receives for a share would be less than the value attributable to that share by reference to underlying assets held by the investment trust. The discount is the difference between the share price and the NAV per share, expressed as a percentage of the NAV.

- **Premium to NAV**

A premium occurs when the share price is greater than the NAV per share and a client would therefore pay or receive more for each share than the value attributable to the shares by reference to the underlying assets.

The result is that investment trust shares do not simply reflect the value of the underlying investments, they also reflect their popularity in the market. This feature may make them more volatile than other pooled investments (such as open-ended CIS) assuming the same underlying investments.

- **Gearing**

Investment trusts can borrow money to invest. This is known as 'gearing', which improves an investment trust's performance when its investments are doing well. On the other hand, if its investments do not do as well as expected, gearing lowers performance.

An investment trust that is geared is a higher risk investment than one which is not geared (assuming the same underlying investments).

2.1.4. Venture Capital Trusts ("VCTs")

Venture Capital Trusts were introduced by the UK government in 1995 to encourage investment in smaller unquoted companies. They provide a source of capital for small companies and help the UK economy to develop.

A VCT is a company, run by a manager, which invests in other companies that are not quoted on a stock exchange but may be listed on the Alternative Investment Market ("AIM"); VCTs themselves are listed on the London Stock Exchange, with strict limits laid down by HM Revenue and Customs on the assets in which they can invest.

There are tax advantages offered to UK investors in new VCTs. However, they are complex products which carry a certain level of risk. VCTs should be considered as long-term investments and it is important that a client understands the risks before investing in them, which are:

- There may be a limited secondary market for shares, this may make them hard to sell. To partially address this issue, some VCT managers offer a buy back facility, normally at a discount to the NAV.
- VCTs are designed to provide capital for small companies and each VCT will invest in a number of companies. There is a risk that these companies may not perform as hoped and, in some circumstances, may fail completely.
- Typically, those of the VCT's assets that are (in accordance with the limits referred to above) not invested in venture capital investments, are invested in money market securities/gilts/cash deposits etc. Some, however, invest part of these assets in investment vehicles which may raise the overall risk profile of the fund still further.
- If certain criteria are not met, the initial tax advantages might be withdrawn.
- The levels of charges for VCTs may be greater than for other investments, and may also charge performance fees and
- As with any asset-backed investment, the value of a VCT depends on the performance of the underlying assets, so a portfolio may get back less than it originally invested, even taking into account the tax breaks (if applicable).

2.1.5. Real Estate Investment Trusts (“REITs”)

A REIT is a pooled investment vehicle, which invests primarily in income producing real estate or real estate related loans or interests.

REITs are sometimes referred to as equity REITs or mortgage REITs. An equity REIT invests primarily in properties and generates income from rental and lease properties.

Equity REITs also offer the potential for growth as a result of property appreciation and, in addition, from the sale of appreciated property. Mortgage REITs invest primarily in real estate mortgages, which may secure construction, development or long-term loans, and derive income for the collection of interest payments.

REITs are organised as companies and their shares are generally listed on the stock exchange.

In some jurisdictions, REITs qualify for beneficial tax treatment provided they invest in accordance with certain rules. Like any investment in real estate, a REIT’s performance depends on many factors, such as its ability to find tenants for its properties, to renew leases, and to finance property purchases and renovations; REITs may be affected by changes in underlying real estate values, which may have an exaggerated effect to the extent a REIT concentrates its investment in certain regions or property types. For example, rental income could decline because of extended vacancies, increased competition from nearby properties, tenants’ failure to pay rent, or incompetent management. Property values could decrease because of overbuilding, environmental liabilities, uninsured damages caused by natural disasters, a general decline in the neighbourhood, losses due to casualty or condemnation, increases in property taxes, or changes in zoning laws. Ultimately, a REITs performance depends on the types of properties it owns and how well the REIT manages its properties.

During periods of rising interest rates, REITs may lose some of their appeal for investors who may be able to obtain higher yields from other income-producing investments, such as long-term bonds. Higher interest rates also mean

that financing for property purchases and improvements is more costly and difficult to obtain.

When interest rates are declining, certain mortgage REITs may hold mortgages that mortgagors elect to prepay, which can reduce the yield on securities issued by mortgage REITs. Mortgage REITs may be affected by the ability of borrowers to repay debts to the REIT when due and equity REITs may be affected by the ability of tenants to pay rent.

Similarly, to small-cap stocks in general, certain REITs have relatively small market capitalisation and their securities can be more volatile than (and at times will perform differently from) large-cap stocks. In addition, because small-cap stocks are typically less liquid than large-cap stocks, REIT stocks may sometimes experience greater Share-price fluctuations than the stocks of larger companies.

REITs are dependent upon specialised management skills, have limited diversification, and are therefore subject to risks inherent in operating and financing a limited number of projects.

2.1.6. Depositary Receipts

Depositary Receipts include American or European Depositary Receipts (“ADRs’ or ‘EDRs”), Global Depositary Receipts or shares (“GDRs’ or ‘GDSs”) or other similar global instruments that are receipts representing ownership of shares of a foreign-based issuer held in trust by a bank or similar financial institution.

These securities are designed for U.S and European securities markets as alternatives to purchasing underlying securities in their corresponding national markets and currencies.

Depositary Receipts can be sponsored or unsponsored:

- Sponsored Depositary Receipts are certificates in which a bank or financial institution participates with a custodian; and
- Issuers of unsponsored Depositary Receipts are not contractually obligated

to disclose material information in the U.S. Therefore, there may not be a correlation between such information and the market value of an unsponsored Depositary Receipt.

Depositary Receipts also include securities issued by a trust representing an undivided beneficial ownership interest in the assets of the trust, usually common stocks of a group of companies. The trust generally holds the deposited common stocks for the benefit of the holders of the Depositary Receipts. Issuers generally are not registered as investment companies under the 'US Investment Company Act of 1940 (as amended)'.

The trustee of a trust is typically limited to performing only administrative and ministerial duties, for which it is paid out of trust assets. The risks of investing in Depositary Receipts generally reflect the risks of the securities held in the trust; and

The acquisition and disposal of some Depositary Receipts is limited to round-lots or round-lot multiples. Depositary Receipts may trade in the secondary market at prices lower than the aggregate value of the corresponding underlying securities. In such cases, some Depositary Receipts enable the holders to realise the underlying value of the securities by cancelling the receipt and receiving a corresponding amount of underlying securities, which requires the payment of fees and expenses.

2.2. Bonds

A bond is a loan to a company, government or a local authority.

Generally, interest is paid to a portfolio as the lender and the amount of the loan repaid at the end of the term.

When a portfolio buys or subscribes for bonds, it becomes a creditor of the issuer of the bonds.

The issuer might be a government or a corporate business or it may be an entity that has been formed specifically for the purpose of issuing the bonds. This is normally the case where the bonds provide to investors the cash flows generated by specific assets, such as

corporate loans, residential mortgages or credit card receivables.

Bonds have a nominal value, which is the sum that will be returned to investors when the bond matures at the end of its term.

As bonds are traded on the bond market, the price a portfolio pays for a bond may be more or less than the nominal value. There are several reasons why the price might vary from the nominal value, for example:

- If a bond is issued with a fixed interest rate of, say, 8% and general interest rates then fall well below 8%, then 8% will look like a good yield and the market price of the bond will tend to rise above the nominal value.
- The reverse is also true. If interest rates rise, the fixed rate of a particular bond might become less attractive and its price could fall below the nominal value.
- Ratings agencies might take the view that a particular company's bond no longer qualifies for a high rating, perhaps the company is not doing as well as it was when the bond was issued. If this happens then the market price of the bond might fall. On the other hand, the company's rating may be improved leading to a price rise; or
- The inflation rate might start to creep up and the interest rate on some bonds might start to look less attractive compared with other investments.

The risks associated with investing in bonds include:

- **Interest Rate Risk**

This is the risk that bond prices will fall as interest rates rise. By buying a bond, the bondholder has committed to receiving a fixed rate of return for a fixed period. Should the market interest rate rise from the date of the bond's purchase, the bond's price will fall accordingly. to reflect the lower return that an investor will make on the bond (as compared, for example, with the return on bonds of a similar profile, including with respect to credit risk, issued subsequently and reflecting the market interest rate rise).

Market interest rates are a function of several factors such as the demand for, and supply of, money in the economy, the inflation rate, the stage that the business cycle is in as well as the government's monetary and fiscal policies.

- **Call Risk**

The risk that a bond will be called by its issuer. Callable bonds have call provisions, which allow the bond issuer to purchase the bond back from the bondholders and retire the issue. This is usually done when interest rates have fallen substantially since the issue date (or sometimes, in the event of improvements in the issuer's credit quality). Call provisions allow the issuer to retire the old, high-rate bonds and sell low-rate bonds in a bid to lower debt costs. Call risk also exists in the case of structured bonds and other investments linked to an underlying asset (for example, a convertible bond) where the issuer may exercise a call right depending on the performance of the underlying asset. If an issuer redeems or calls an investment before the original scheduled maturity, the investor's objective in acquiring that financial instrument may be frustrated and the investor may receive a return that is lower than the return the investor would have received at maturity. The investor may also be forced to reinvest in lower-yielding financial instruments or financial instruments with greater credit risks or other less favourable features.

- **Default Risk**

The risk that the bond's issuer will be unable to pay the contractual interest or principal on the bond in a timely manner, or at all (including as a result of the issuer's insolvency). Credit ratings services such as Moody's, Standard and Poor's and Fitch give credit ratings to bond issues, which helps to give investors an idea of how likely it is that a payment default will occur.

- **Credit Ratings**

Credit ratings are often considered when analysing bonds, notes and other debt-related investments for client accounts. A credit rating generally reflects an assessment by the rating's provider of the relative credit risk of an investment compared to other investments rated by the provider. Credit rating agencies, including nationally recognized statistical

rating organizations, each, a ("Rating Agency"), may rate specific investments (e.g., bonds), issuers (e.g., corporations, governments and financial institutions) and/or programs (e.g., commercial paper programs). Certain types of investments generally are not rated by Rating Agencies, such as non-US government/sovereign obligations, US agency securities, commercial paper, time deposits at financial institutions, and derivative instruments such as credit default swaps. For those types of investments, as well as US Treasury securities (some of which are not rated), where a Rating Agency has not rated the specific investment but has rated the investment's issuer, program, financial institution or underlying reference asset, BlackRock typically considers the investment to have the same Rating Agency rating as its issuer, program, financial institution or underlying reference asset, as appropriate. In the case of municipal securities, where one Rating Agency provides multiple ratings for the same security (e.g., "underlying," "insured" and/or "enhanced" ratings), BlackRock may consider the security to have the highest of the multiple ratings.

- **Issuer risk**

A portfolio's performance depends on the performance of individual securities to which the portfolio has exposure. Adverse changes to the financial condition or credit rating of an issuer of those securities often cause the value of the securities to decline or become worthless.

New issue securities (regardless of type) rarely are rated by a Rating Agency at the time of their initial offering. Preliminary prospectuses or term sheets for new issue securities often include an expected rating for the security (as determined by the underwriter and/or issuer) or a Rating Agency rating for the issuer of the security. When deciding whether to purchase a new issue security that has not yet been rated by a Rating Agency, BlackRock will typically attribute an expected rating to the security based on: (i) the expected rating of the security set forth in the preliminary prospectus or term sheet for the security; (ii) the Rating Agency's rating for the issuer of the security set forth in the preliminary prospectus or term sheet for the

security; or (iii) with respect to asset-backed securities, the rating of a prior issuance. The rating will be changed to “Not Rated” if Rating Agency rating is not provided within 30 days. Please see “New Issue Securities Risk” below for some of the risks associated with new issue securities.

Credit ratings are subject to change and do not reflect all of the risks associated with an investment.

- **Inflation Risk**

The risk that the rate of price increases in the economy deteriorates the returns associated with the bond. This has the greatest effect on fixed-rate bonds, which have a set interest rate from inception. For example, if an investor purchases a 5% fixed bond and then inflation rises to 10% a year, the bondholder will lose money on the investment because the purchasing power of the proceeds has been greatly diminished. The interest rates of floating-rate bonds are adjusted periodically in response to changes in the prevailing market interest rate, thereby limiting investors' exposure to inflation risk (as market interest rates are typically increased in response to increasing inflation).

Bonds can be bought and sold in the market (like shares) and their price can vary from day-to-day. A rise or fall in the market price of a bond does not affect what a portfolio would get back if a portfolio holds the bond until it matures. A portfolio will only get back the nominal value of the bond (plus any coupon payment to which a portfolio has been entitled during its ownership of the bond), irrespective of what a portfolio paid for it.

For some bonds there may be a restricted market and it may be more difficult to deal in them or obtain reliable information about their value. It may also be difficult to establish a proper market in them for the purposes of making a subsequent sale.

Some bonds generate a return that is linked to the performance of a real or notional pool of underlying assets. In such circumstances, the return a portfolio receives will depend upon the performance of the underlying pool. Many structured products take the form of bonds (see

Section 7 below), for further details of the risks associated with Structured Products.

As a bondholder a portfolio could lose some or (in extreme cases) all of the money that it has invested in the bonds that it holds.

In addition to the above general risks, the following types of bonds are impacted by additional risks.

2.2.1. Convertible Bonds

Some bonds are convertible or exchangeable into a specific number of another form of security, (usually the issuer's ordinary shares) at a specified price or ratio:

- A company may issue a convertible security that is subject to redemption after a specified date, and usually under certain circumstances;
- A holder of a convertible bond that is called for redemption would be required to tender it for redemption to the issuer, convert it to the underlying equities or sell it to a third party;
- Convertible bonds typically pay a lower interest rate than non-convertible bonds of the same quality and maturity, because of the convertible feature. This structure allows the holder of the convertible bond to participate in share price movements in the company's shares;
- The actual return on a convertible bond may exceed its stated yield if the company's shares appreciate in value and the option to convert to shares becomes more valuable;
- Convertible bonds typically trade at prices above their conversion value, which is the current market value of the shares received upon conversion (“Conversion Value”), because of their higher yield potential than the underlying shares;
- The difference between the Conversion Value and the price of a convertible bond will vary depending on the value of the underlying shares and interest rates;

- When the underlying value of the shares decline, the price of the issuer's convertible bonds will tend not to fall as much because the convertible bond's income potential will act as a price support; and
- While the value of a convertible bond also tends to rise when the price of the underlying shares rises, it may not rise as much because their conversion value is narrower. The value of convertible bonds also is affected by changes in interest rates. For example, when interest rates fall, the value of convertible bonds may rise because of their fixed income component.

2.2.2. Sovereign Debt

Certain countries, typically developing countries, are especially large debtors to Commercial Banks and Foreign Governments. Investment in debt obligations ("Sovereign Debt") issued or guaranteed by these governments or their agencies and instrumentalities ("governmental entity") involves a high degree of risk. The governmental entity that controls the repayment of Sovereign Debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt.

A governmental entity's willingness or ability to repay principal and interest due in a timely manner may be affected by, among other factors:

- Its cash flow situation;
- The extent of its foreign reserves;
- Availability of sufficient foreign exchange on the date a payment is due;
- Relative size of the debt service burden to the economy as a whole;
- Governmental entity's policy towards the International Monetary Fund.

Any political constraints to which a governmental entity may be subject.

Expected disbursements from foreign governments, multilateral agencies and others abroad to reduce principal and interest arrearage on their debt:

- The commitment on the part of these governments, agencies and others to make such disbursements may be conditional upon a governmental entity's implementation of economic reforms and/or economic performance and the timely service of such debtor's obligations;
- Failure to implement such reforms, achieve such levels of economic performance or repay principal or interest when due may result in the cancellation of such third parties' commitments to lend funds to the governmental entity, which may further impair such debtor's ability or willingness to service its debt on a timely basis; and
- Governmental entities may default on their Sovereign Debt. Holders of Sovereign Debt, including a portfolio, may be requested to participate in the rescheduling of such debt and to extend further loans to governmental entities.
- Investors in Sovereign Debt issued by countries other than developing countries are also subject to these risks, including the risk of default with respect to the payment of principal and/or interest, but (typically) to a lesser degree.

There is no bankruptcy proceeding by which Sovereign Debt on which a governmental entity has defaulted may be collected in whole or in part.

2.2.3. Fixed Income Transferable Securities

Debt securities are subject to both actual and perceived measures of creditworthiness. The 'downgrading' of a rated debt security or adverse publicity and investor perception, which may not be based on fundamental analysis, could decrease the value and liquidity of the security, particularly in a thinly traded market.

Non-Investment grade debt may be highly leveraged and carry a greater risk of default.

A portfolio may be affected by changes in prevailing interest rates and by credit quality considerations.

Changes in market rates of interest will generally affect a portfolio's asset values as the prices of fixed rate securities generally increase when interest rates decline and decrease when interest rates rise.

Prices of shorter-term securities generally fluctuate less in response to interest rate changes than do longer-term securities.

An economic recession may adversely affect an issuer's financial condition and the market value of high yield debt securities issued by such entity.

The issuer's ability to service its debt obligations may be adversely affected by specific issuer developments, or the issuer's inability to meet specific projected business forecasts or the unavailability of additional financing.

In the event of bankruptcy of an issuer, a portfolio may experience losses and incur costs.

In addition, non-investment grade securities tend to be more volatile than higher rated fixed-income securities, so that adverse economic events may have a greater impact on the prices of non-investment grade debt securities than on higher rated fixed-income securities.

2.2.4. Asset-backed Securities

The value of asset-backed securities ("ABS") typically increases when interest rates fall and decreases when interest rates rise and are expected to move in the same direction of the underlying related asset, there may not be a perfect correlation between these events.

ABS may bear interest or pay preferred dividends at below market rates and, in some instances, may not bear interest or pay preferred dividends at all.

Certain ABS may be payable at maturity in cash at the stated principal amount or, at the option of the holder, directly in a stated amount of the asset to which it is related. In such instance, an ABS may be sold in the secondary market prior to maturity if the value of the stated amount of the asset exceeds the stated principal amount

and thereby realise the appreciation in the underlying asset.

ABS may also be subject to extension risk, which is, the risk that, in a period of rising interest rates, prepayments may occur at a slower rate than expected. As a result, the average duration of the portfolio may increase. The value of longer-term securities generally changes more in response to changes in interest rates than that of shorter-term securities.

As with other debt securities, ABS are subject to both actual and perceived measures of creditworthiness. Liquidity in ABS may be affected by the performance or perceived performance of the underlying assets. In some circumstances investments in ABS may become less liquid, making it difficult to dispose of them.

Accordingly, the portfolio's ability to respond to market events may be impaired and the portfolio may experience adverse price movements upon liquidation of such investments. In addition, the market price for an ABS may be volatile and may not be readily ascertainable.

As a result, it may not be able to sell them when desired to do so, or to realise what is perceived to be their fair value in the event of a sale. The sale of less liquid securities often requires more time and can result in higher brokerage charges or dealer discounts and other selling expenses.

ABS may be leveraged which may contribute to Volatility in the value of the security.

2.2.5. Mortgage-backed Securities

Mortgage-backed securities ("MBS") may be subject to prepayment risk, which is the risk that, in a period of falling interest rates, borrowers may refinance or otherwise repay principal on their mortgages earlier than scheduled. When this happens, certain types of MBS will be paid off more quickly than originally anticipated and the portfolio will have to invest the proceeds in securities with lower yields. MBS may also be subject to extension risk, which is, the risk that, in a period of rising interest rates, certain types of MBS will be paid off more slowly than originally anticipated and the value of these securities will fall. As a result,

the average duration of the portfolio may increase. The value of longer-term securities generally changes more in response to changes in interest rates than that of shorter-term securities.

Because of prepayment risk and extension risk, MBS react differently to changes in interest rates than other fixed income securities. Small movements in interest rates (both increases and decreases) may quickly and significantly reduce the value of certain MBS. Certain MBS in which the portfolio may invest may also provide a degree of investment leverage, which could cause the portfolio to lose all or a substantial amount of its investment.

In some circumstances investments in MBS may become less liquid, making it difficult to dispose of them. Accordingly, the portfolio's ability to respond to market events may be impaired and the portfolio may experience adverse price movements upon liquidation of such investments. In addition, the market price for MBS may be volatile and may not be readily ascertainable. As a result, it may not be possible to sell them when desired to do so, or to realise what is perceived to be their fair value in the event of a sale. The sale of less liquid securities often requires more time and can result in higher brokerage charges or dealer discounts and other selling expenses.

2.2.6. Delayed Delivery Transactions

When investing in Fixed Income Transferable Securities, a portfolio may purchase 'To Be Announced' Securities ("TBAs"). This refers to the common trading practice in the Mortgage-Backed Securities market in which a security is to be bought from a mortgage pool for a fixed price at a future date.

At the time of purchase the exact security is not known, but the main characteristics of it are specified. Although the price has been established at the time of purchase, the principal value has not been finalised.

Purchasing a TBA involves a risk of loss if the value of the security to be purchased declines prior to the settlement date. Risks may also arise upon entering into these contracts from the potential inability of counterparties to meet the terms of their contracts.

Although a portfolio will generally enter into TBA purchase commitments with the intention of acquiring securities, a portfolio may also dispose of a commitment prior to settlement if it is deemed appropriate to do so.

Proceeds of TBA sales are not received until the contractual settlement date. During the time a TBA sale commitment is outstanding, equivalent deliverable securities, or an off-setting TBA purchase commitment (deliverable on or before the sale commitment date), are held as cover for the transaction.

If the TBA sale commitment is closed through the acquisition of an off-setting purchase commitment, a portfolio realises a gain or loss on the commitment without regard to any unrealised gain or loss on the underlying security.

If a portfolio delivers securities under the commitment, a portfolio realises a gain or loss from the sale of the securities upon the unit price established at the date the commitment was entered into.

2.2.7. New Issue Securities

Investing in new issue securities involves risks that are in addition to those associated with investments which have been trading for an extended period of time because information typically used to evaluate investments often is not available for new issue securities. Subsequent to the purchase of a new issue security by BlackRock, information about the security or its issuer may become publicly available (e.g., the issuance of a credit rating by a Rating Agency) which could cause BlackRock to alter its view on the appropriateness of the investment for a portfolio.

3. Derivatives

Although derivative instruments can be utilised for the management of investment risk, some of these products are unsuitable for many investors. Different instruments involve different levels of exposure to risk and in deciding whether to trade in such instruments a client should be aware of the following points.

3.1. Options

A call option gives the buyer of the option the right (but not the obligation) to acquire an underlying security or other asset at a future date and at a price that has already been agreed or that is determinable in accordance with a pre-agreed mechanism. A put option gives the buyer of the option the right (but not the obligation) to sell an underlying security or other asset at a future date and at a price that has already been agreed or that is determinable in accordance with a pre-agreed mechanism. Depending upon their terms, options may be settled by the physical delivery of the underlying asset or by payment of a cash amount.

There are many different types of options with different characteristics subject to the following conditions.

3.1.1. Buying Options

Buying options involves less risk than selling options because, if the price of the underlying asset moves against a portfolio, it can simply allow the option to lapse.

The maximum loss is limited to the premium, plus any commission or other transaction charges.

If a portfolio buys a call option on a futures contract and the portfolio later exercises the option, (which could take place automatically if it is in the money at expiry), it will acquire the future. This will expose a portfolio to the risks described in Section 3.2 and Section 3.9 below.

3.1.2. Writing Options

If a portfolio writes an option, the risk involved is considerably greater than buying options. A portfolio may be liable for margin to maintain its position and a loss may be sustained well in excess of the premium received.

By writing an option, a portfolio accepts a legal obligation to purchase or sell the underlying asset if the option is exercised against a portfolio, however far the market price has moved away from the exercise price.

If a portfolio already owns the underlying asset which it has contracted to sell (when the options will be known as “covered call options”) the risk is reduced.

If a portfolio does not own the underlying asset (“uncovered call options”) the risk can be unlimited.

Only experienced persons should contemplate writing uncovered options, and then only after securing full details of the applicable conditions and potential risk exposure.

The performance of an option that a portfolio has written depends primarily on how the underlying asset performs during the life of the option.

The value of the option can therefore be affected by any risk factors that can affect the price of the underlying asset to which the option relates. A relatively small movement in the price of the underlying asset can result in a disproportionately large movement, unfavourable or favourable, in the value of the option. The prices of options can therefore be volatile;

- If a portfolio writes options, it may sustain a total loss in excess of any margin it deposits with the counterparty to establish or maintain a position;
- If the market moves against a portfolio, it may be called upon to pay substantial additional margin at short notice to maintain the position. If it fails to do so within the time required, its position may be liquidated at a loss and it will be responsible for the resulting deficit; and
- If a written option transaction is not margined, it may still carry an obligation to make further payments in certain circumstances over and above any amount paid when a portfolio entered the contract.

3.1.3. Over-the-Counter (“OTC”) Options

Options may be executed on an Investment Exchange or on an OTC basis.

OTC options are ‘off-exchange’ transactions in derivatives between two counterparties which give rise to the additional counterparty, market and valuation risks described in Section 3.7 below.

OTC options are traded between two private parties and are not listed on an exchange.

They can be tailored to meet specific requirements as they are not standardised as is the case with exchange traded contracts.

3.2. Futures

Transactions in futures involve the obligation to make, or to take, delivery of the underlying asset of the contract at a future date, or in some cases to settle the position with cash.

Futures carry a high degree of risk. The performance of a futures contract depends primarily on how the underlying asset performs during the life of the contract.

The value of the future can therefore be affected by any of the risk factors that can affect the price of the underlying asset to which the futures contract relates.

The 'gearing' or 'Leverage' often obtainable in futures trading means that a small deposit or down payment can lead to large losses as well as gains. It also means that a relatively small movement can lead to a proportionately much larger movement in the value of a portfolio's investment, and this can work against a portfolio as well as for it.

Futures transactions have a contingent liability which means that a portfolio may be liable to make further payments (and whether or not margin is required as security to maintain its position) when the transaction fails to be completed or upon the earlier closing out of the position and a loss may be sustained well in excess of the premium received.

By entering into a futures contract, a portfolio accepts a legal obligation to purchase or sell the underlying asset or (depending upon the relevant terms) to make payment of a cash settlement amount, however far the market price has moved away from the agreed price;

A portfolio may sustain a total loss in excess of any margin it deposits with the counterparty to establish or maintain a position.

If the market moves against a portfolio, it may be called upon to pay substantial additional margin at short notice to maintain the position. If a portfolio fails to do so within the time

required, its position may be liquidated at a loss and a portfolio will be responsible for the resulting deficit.

The insolvency or default of the counterparty or any of the brokers involved with a portfolio's futures transaction, may lead to positions being liquidated or closed out without a portfolio's consent.

In certain circumstances, a portfolio may not get back the actual assets which it lodged as collateral, and it may have to accept any available payments in cash.

Transactions held centrally through a clearing house benefit from a number of added layers of protection. Details differ from one clearing house to another, but typical safeguards include:

- Membership obligations;
- Margin and capital requirements;
- Default procedures emphasizing prompt resolution; and
- Maintenance of supplemental clearing house resources.

Where a client accesses a clearing house indirectly through a clearing member, the protections afforded by the clearing house may differ or may be limited to the clearing house's exposure to the direct clearing member.

Futures may be executed on an investment exchange or on an OTC basis.

OTC futures are 'off-exchange' transactions in derivatives between two counterparties which give rise to the additional counterparty, market and valuation risks described in Section 3.7 below.

3.3. Contracts for differences ("CFDs")

Futures and options contracts that only contemplate cash- settlement of the party's obligations, opposed to physical delivery of the underlying assets, are known as 'contracts for differences' or 'CFDs'.

CFDs include options and futures on indices, as well as currency, interest rate, equity and commodity swaps, some credit derivatives, spread bets and rolling spot foreign exchange contracts.

The 'gearing' or 'Leverage' often obtainable in CFD trading means that a small deposit or down payment can lead to large losses as well as gains. It also means that a relatively small movement can lead to a proportionately much larger movement in the value of a portfolio's investment, and this can work against a portfolio as well as for it.

CFD transactions have a Contingent Liability which means that a portfolio may be liable to make further payments (and whether or not margin is required as security to maintain its position) when the transaction fails to be completed or upon the earlier closing out of the position and a loss may be sustained in excess of any margin it deposits with the counterparty to establish or maintain a position. If the market moves against a portfolio, it may be called upon to pay substantial additional margin at short notice to maintain the position. If a portfolio fails to do so within the time required, its position may be liquidated at a loss, and it will be responsible for the resulting deficit.

On many exchanges, the performance of a transaction by the relevant broker is 'guaranteed' by the exchange or clearing house. However, this guarantee in some circumstances may not protect the clients of the broker, if the broker defaults on its obligations.

CFD transactions may be executed on an investment exchange or on an OTC basis.

OTC CFD transactions are off-exchange transactions between two counterparties which give rise to the additional counterparty, market and valuation risks described in Section 3.7 below.

3.4. Securitised Derivatives

Securitised Derivatives are derivative products, such as covered warrants and certificates, that are traded or listed on investment exchanges, and which provide investors with exposure to a wide range of underlying products without investing directly.

The investors return is linked to the performance of an underlying instrument for example Shares, indices, foreign exchange, commodities and interest rates.

These instruments often involve a high degree of gearing or Leverage, so that a relatively small movement in the price of the underlying investment results in a much larger movement, unfavourable or favourable, in the price of the instrument. The price of these instruments can therefore be volatile.

These instruments have a limited life and may expire worthless if the underlying instrument does not perform as expected.

3.5. Swaps

A Swap is an agreement between two parties (one usually being an investment bank), to exchange one stream of payments for another.

Swaps are individually tailored contracts that trade OTC and can be based on any terms agreed by the two parties.

Swaps are 'off-exchange' transactions in derivatives between two counterparties which give rise to the additional counterparty, market and valuation risks described in Section 3.7 below.

Where an OTC swap is centrally cleared, and a client accesses a clearing house indirectly through a clearing member, the protections afforded by the clearing house may differ or may be limited to the clearing house's exposure to the direct clearing member.

Some common examples of swaps are listed below.

3.5.1. Credit Default Swaps ("CDS")

A CDS is an agreement to transfer credit exposure or default risk from one party to another.

Transactions in the market are usually referred to in terms of buying or selling protection.

The seller of protection receives a stream of payments (the 'premium') from the protection buyer over the life of the contract for assuming the credit risk of the underlying reference entity.

CDS allows investors to effectively buy protection on a bond they hold (hedging) or, buy protection on a bond they do not physically own in the expectation of making a profit if the underlying credit declines in quality.

A payment is due to the protection buyer in the event that there is a 'credit event'. For example, bankruptcy or failure to repay a loan as defined in the agreement.

If the credit event does not occur the buyer pays all the required premiums, and the swap terminates on maturity with no further payments. The risk of the buyer is therefore limited to the value of the premiums paid.

3.5.2. Interest Rate Swaps

An Interest Rate Swap is an agreement between two parties to exchange interest rate cash flows, typically a fixed payment for a floating payment (e.g., SOFR) based on a notional principal amount, at specified times during the life of the swap.

3.5.3. Inflation Swaps

An Inflation Swap is an agreement between two parties to exchange a fixed cash flow in return for a floating rate linked to an inflation index during the life of the swap, based on a notional principal amount.

3.5.4. Total Return Swaps (“TRS”)

A Total Return Swap is an agreement between two parties to exchange a floating cash flow based on short-term interest rates (e.g. SOFR) in return for the total return (i.e. capital gain/loss plus income) on an underlying asset or index during the life of the swap.

3.5.5. Volatility Derivatives & Variance Swaps

A Volatility swap is a forward contract on the future realised Volatility of a given underlying asset. For example, foreign exchange rate, single equity or index.

The Volatility of an underlying asset is a statistical measure of the speed and magnitude of changes in its price over defined periods of time.

A variance swap is similar to a Volatility swap but in contrast, the variance swap is a forward contract in which the underlying is the measured or realised variance of the underlying asset over the life of the swap, and the forward rate (or swap rate), is the variance set on the

trade date. Volatility is the mathematical square-root of the variance.

Portfolios may use Volatility and variance derivatives to increase or reduce Volatility risk, in order to express an investment view on the change in Volatility, based on an assessment of expected developments in the underlying markets. For example, if a significant change in the equity market background is expected, it is likely that the Volatility of securities prices will increase as prices adapt to the new circumstances; and

The price of volatility or variance derivatives may be highly volatile and may move in a different way to the other assets of the portfolio, which could have a significant effect on the value of a portfolio.

3.5.6. Swaptions

A swaption is an option granting its owner the right but not the obligation to enter into an underlying swap. Although options can be traded on a variety of swaps, the term 'swaption' typically refers to options on interest rate swaps.

A fund may enter into an interest rate swaption contract which gives the buyer the right, but not the obligation to enter into an interest rate swap at the present interest rate within a specified period of time.

The interest rate swaption buyer pays a premium to the seller for this right. The buyer assumes the risk of loss of premium. Similar to other options, for instance equity options, but based on a swap rather than a physical asset.

3.6. Foreign Exchange (“FX”) Forwards & Non-Deliverable Forwards (“NDFs”)

An FX Forward is an agreement to purchase or sell a set amount of a foreign currency at a specified price for settlement at a predetermined future date.

FX Forward transactions involve the physical delivery of currencies on the settlement date and thus give rise to settlement risk. This can be mitigated to a certain extent when transacting in CLS (“Continuous Linked Settlement”)

eligible currencies and for custodians who are members of CLS.

FX transactions can be settled using the CLS platform which protects against loss of principal by providing a payment vs. payment settlement clearing process. In the event of settlement failure, neither of the two payments for the FX trade will be settled and the related funding is returned to the client's bank or custodian.

NDFs are FX transactions in thinly traded or restricted non-convertible foreign currencies.

They are similar to conventional FX forward contracts in that an agreement is made to buy or sell a specific amount of one currency in exchange for another currency for settlement on an agreed future date.

Unlike conventional forwards, NDFs settle the profit or loss at maturity for the difference between the agreed upon exchange rate and the spot rate at the time of settlement, based on an agreed notional amount of funds. NDFs are normally quoted and cash-settled in U.S. Dollars.

FX Forwards and NDFs are off-exchange transactions in derivatives between two counterparties which give rise to the additional counterparty risks described in Section 3.7 below.

3.7. Off-exchange Transactions in Derivatives

OTC or off-exchange derivatives are contracts that are traded directly between two parties and as such expose each party to default risk of the other.

Counterparty risk largely stems from the creditworthiness of an institution. The counterparty risk created can be offset to an extent through the periodic exchange of collateral but in the event of a default, this may not be sufficient to cover the liabilities of the defaulting party.

Although some OTC or 'off-exchange' markets are highly liquid, transactions in OTC or 'off-exchange' derivatives may involve greater risk than investing in 'on-exchange' derivatives,

because there is no exchange market on which to close out an open position.

It may be impossible to liquidate an existing position, to assess the value of the position arising from a transaction or to assess the exposure to risk. Bid prices and offer prices need not be quoted, and, even where they are, they will be established by dealers in these instruments and consequently it may be difficult to establish what a fair price is.

3.8. Tax – Potential Trading

Clients should note that there is a risk that certain derivative and currency forward transactions permitted by the investment guidelines may be considered to be 'trading' for tax purposes. Any resulting loss or liability will be a loss or liability of the client or the client's Fund.

3.9. Contingent Liability Investment Transactions

Contingent Liability Investment transactions, which are margined, require a client to make a series of payments against the purchase price, instead of paying the whole purchase price immediately.

If a client trades in futures, swaps, CFDs or writes options, they may sustain a total loss in excess of any margin they deposit to establish or maintain a position.

If the market moves against a client, they may be called upon to pay substantial additional margin at short notice to maintain the position. If a client fails to do so within the time required, their position may be liquidated at a loss and they will be responsible for the resulting deficit.

Even if a transaction is not margined, it may still carry an obligation to make further payments in certain circumstances over and above any amount paid when a client entered the contract.

4. Foreign Markets & Foreign Denominated Securities

4.1. Foreign Markets

Foreign markets will involve different risks from domestic markets. In some cases, the risks will be greater.

On request, BlackRock must provide an explanation of the relevant risks and protections (if any) which will operate in any foreign markets, including the extent to which it will accept liability for any default of a foreign company whom it deals.

The potential for profit or loss from transactions on foreign markets or in foreign denominated contracts will be affected by fluctuations in foreign exchange rates.

4.2.Foreign Exchange (“FX”) Trading

Engaging in FX trading (buying one currency in exchange for another) exposes a portfolio to the risk of adverse changes in exchange rates.

Exchange rates can be volatile and are driven by a variety of factors affecting the economies of the jurisdictions whose currencies a portfolio is trading.

The 'gearing' or 'leverage' often obtainable in FX trading means that a small deposit or down payment can lead to large losses as well as gains. It also means that a relatively small movement can lead to a proportionately much larger movement in the value of a portfolio's investment, and this can work against a portfolio as well as for it.

Some FX transactions involve a contingent liability which means that a portfolio may be liable to make further payments (and whether or not margin is required as security to maintain its position) when the transaction fails to be completed or upon the earlier closing out of the position and a loss may be sustained well in excess of any margin it deposits with the counterparty to establish or maintain the position.

A portfolio may sustain a total loss of any margin it deposits to establish or maintain a position. If the market moves against a portfolio, it may be called upon to pay substantial additional margin at short notice to maintain the position. If a portfolio fails to do so within the time required, its position may be liquidated at a loss and the portfolio will be responsible for the resulting deficit.

The insolvency or default of the counterparty or any of the dealers involved with a portfolio's FX transaction, may lead to positions being

liquidated or closed out without a portfolio's consent. In certain circumstances, a portfolio may not get back the actual assets which it lodged as collateral, and it may have to accept any available payments in cash.

4.3.Emerging Markets/Frontier Markets

The following considerations, which apply to some extent to all international investments, are of particular significance in certain smaller emerging and frontier markets.

A portfolio's equity investments may include investments in certain smaller and emerging markets, which are typically those of poorer or less developed countries which exhibit lower levels of economic and/or capital market development, and higher levels of share price and currency Volatility.

The prospects for economic growth in a number of these markets are considerable and equity returns have the potential to exceed those in mature markets as growth is achieved. However, share price and currency Volatility are generally higher in emerging and frontier markets.

Some governments exercise substantial influence over the private economic sector and the political and social uncertainties that exist for many developing countries are particularly significant.

The economy is heavily export oriented and, accordingly, is dependent upon international trade. The existence of overburdened infrastructures and obsolete financial systems also presents risks in certain countries, as do environmental problems which may be exacerbated by climate change.

Certain economies also depend to a significant degree upon exports of primary commodities and, therefore, are vulnerable to changes in commodity prices which, in turn, may be affected by a variety of factors.

In adverse social and political circumstances, governments have been involved in policies of expropriation, confiscatory taxation, nationalisation, intervention in the securities market and trade settlement, and imposition of foreign investment restrictions and exchange

controls, and these could be repeated in the future. In addition to withholding taxes on investment income, some emerging and frontier markets may impose different capital gains taxes on foreign investors.

Generally accepted accounting, auditing and financial reporting practices in emerging markets may be significantly different from those in developed markets. Compared to mature markets, some emerging markets may have a low level of regulation, enforcement of regulations and monitoring of investors' activities. Those activities may include practices such as trading on material non-public information by certain categories of investor.

The securities markets of developing countries are not as large as the more established securities markets and have substantially less trading volume, resulting in a lack of liquidity and high price volatility. There may be a high concentration of market capitalisation and trading volume in a small number of issuers representing a limited number of industries as well as a high concentration of investors and financial intermediaries. These factors may adversely affect the timing and pricing of a portfolio's acquisition or disposal of securities.

Practices in relation to settlement of securities transactions in emerging and frontier markets involve higher risks than those in developed markets, in part because a portfolio will need to use brokers and counterparties which are less well capitalised, and custody and registration of assets in some countries may be unreliable. Delays in settlement could result in investment opportunities being missed if a portfolio is unable to acquire or dispose of a security. Where applicable depending on whether a trustee/custodian has been appointed to the portfolio and the regulatory regime governing such appointment, the trustee/custodian of the portfolio (if any) may be responsible for the proper selection and supervision of its correspondent banks in all relevant markets (although more substantial or lesser or no obligations may apply depending on applicable regulation).

In certain emerging and frontier markets, registrars are not subject to effective government supervision nor are they always

independent from issuers. The possibility of fraud, negligence, undue influence being exerted by the issuer or refusal to recognise ownership exists, which, along with other factors, could result in the registration of a shareholding being completely lost. Investors should therefore be aware that a portfolio could suffer loss arising from these registration problems, and as a result of archaic legal systems a portfolio may be unable to make a successful claim for compensation.

While the factors described above may result in a generally higher level of risk with respect to the individual smaller and emerging markets, these may be reduced when there is a low correlation between the activities of those markets and/or by the diversification of investments within a portfolio. As a result of some of these characteristics there could be additional impacts on the value of these investments as a result of sustainability risks, in particular those caused by environmental changes related to climate change, social issues (including but not limited to relating to labour rights) and governance risk (including but not limited to risks around board independence, ownership & control, or audit & tax management). Additionally, disclosures or third-party data coverage associated with sustainability risks is generally less available or transparent in these markets.

4.4. Euro and Eurozone Risk

The success of the Euro and the Eurozone is dependent on the general economic and political condition of each member state, as well as each state's credit worthiness and the willingness of the members to remain committed to monetary union and support for the other members. Default by any state on its Euro debts or a material decline in the credit rating of any Eurozone state could have a material negative impact on a Portfolio and its investments. A Portfolio may hold Euro denominated assets either directly or as collateral and may experience a reduction in the value and/or liquidity of their investments as a result of events in the Eurozone regardless of the measures BlackRock may take to reduce this risk in providing its services to a client.

The Eurozone is subject to risks arising from different trends, including high inflation, rapid monetary policy tightening, geopolitical instability, and an uncertain economic outlook, which could lead to new shocks and asset price corrections. The situation has raised a number of uncertainties regarding the stability and overall standing of the European Economic and Monetary Union and may result in changes to the composition of the Euro zone. The departure or risk of departure from the Euro by one or more Euro zone countries could lead to the reintroduction of national currencies in one or more Euro zone countries or, in more extreme circumstances, the possible dissolution of the Euro entirely. These potential developments, or market perceptions concerning these and related issues, could adversely affect the value of the investments.

5. Commodities

Trading in derivatives on physical commodities is speculative and can be extremely volatile;

Market prices of derivatives on physical commodities can fluctuate rapidly based on numerous factors, including:

- Changes in supply and demand relationships actual, perceived, anticipated, unanticipated or unrealised;
- Weather;
- Trade;
- Fiscal;
- Monetary and Exchange control programs;
- Political and Economic events and policies;
- Disease;
- Pestilence;
- Technological developments:
 - Changes in interest rates through government action or market movements; and
 - Monetary and other governmental policies.

The current or 'spot' prices of the underlying physical commodities may also affect, in a volatile and inconsistent manner, the prices of

futures contracts in respect of the relevant commodity.

6. Collective Investment Schemes ("CIS")

A CIS is a scheme which allows an investor to invest money on a pooled basis (along with a number of other investors). A CIS may take various forms including without limitation, corporate, partnership or trust.

As an investor, a portfolio buys shares, partnership interests or units in the CIS in the hope that the value rises over time as the prices of the underlying investments increase. The price of the shares, partnership interests or units depends on how the underlying investments perform.

Some CIS are called 'open-ended' because the number of shares/partnership interests/units in issue increases as more people invest and decreases as people take their money out.

Normally, there is no established secondary market in CISs which means that a portfolio's investment in them cannot usually be sold to third parties. However, the constitutional documents of the CIS will normally provide for it to be able to redeem its investment in the CIS at its NAV.

The frequency with which a CIS can redeem its investment will depend upon the precise terms of those constitutional documents.

As an investor in a CIS, a portfolio could lose some or all of the money that it has invested.

The level of risk of an investment in a CIS will depend on the underlying investments in which it is invested and how well diversified the CIS is. For example, a CIS which invests only in one industrial sector, such as technology, will invariably be riskier than CISs that invest across the whole range of companies in a market.

Some CIS are regulated which means that there are rules about (and limits on) the types of underlying investments in which the CIS can invest and the frequency and price at which investments in the CIS can be redeemed.

In particular, the rules applicable to regulated CIS limit the extent to which they can invest in derivatives or leverage their portfolios. Regulated CIS include for example authorised

unit trusts; UCITS (undertakings for collective investment in transferable securities), which may take the form of SICAVs (Sociétés d'investissement à capital variable), FCPs (Fonds Commun de Placement). CCFs (Common Contractual Fund) or ICVCs (Investment Companies with Variable Capital), UK UCITS which may take the form of OEICs (open ended investment companies, which are the same as ICVCs).

Other CIS are unregulated or are subject to a lesser degree of regulation than a fund intended for retail investors, such as a UCITS, which means that there are very few or no rules about the types of investments in which they can invest or the frequency at which they can be redeemed. Five of the most common types of unregulated CIS are hedge funds, private equity funds, real estate funds, exchange-traded funds and funds of funds. Following the implementation of the Alternative Investment Fund Managers Directive ("AIFMD"), certain of these unregulated CIS may be regulated by the AIFMD.

The following is a list of risk factors and does not purport to provide a complete explanation of the risks associated with acquiring and holding units in a CIS:

- All investment funds are subject to risks, including fluctuations in capital value. While over a long period it might be expected that a portfolio will produce positive total returns, in any particular year losses may be suffered. The Investment Manager cannot guarantee that it will achieve the investment objectives set out for a portfolio;
- Participating clients should always bear in mind that the price of units in a CIS and the income from them can go down as well as up and is not guaranteed. A CIS may invest in currencies other than sterling. As a result, changes in the rates of exchange between currencies may cause the value of units in a CIS to go up or down. Accordingly, an investor may not receive back the amount invested;
- A CIS may invest in initial public offerings or new debt issues. The prices 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;

- CIS can be 'front-end loaded', which means that deductions for charges and expenses are not made uniformly throughout the life of the investment but are loaded disproportionately on to the early years through the charging of a front-end load; and
- Insofar as investments are made in units of a regulated CIS with an objective to maximise distributable income or to place an equal emphasis on the generation of income and on capital growth, the Investment Manager's periodic charge may be taken out of the capital of such investment. As a consequence, it is likely capital may be eroded or future growth constrained.

When compared to a regulated CIS where periodic charges are deducted from income, the income accruing to a regulated CIS where such charges are deducted from capital may be higher which will result in some increased income tax liability for investors and, where applicable, a reduction in liability for capital gains tax.

Risks associated with specific BlackRock Pooled Funds are detailed in the relevant prospectus and/or constituent documents receipt of which the client acknowledges.

6.1. Determination of Unit Prices

A proportion of the value of a CIS and hence the issue and cancellation prices of the units, will be based on the latest prices that are available for the investments held by the underlying funds.

These latest prices may be estimated prices due to either the frequency or the timing of dealing in the investment vehicles in which the underlying funds are invested or the time that is required by the administrators of such investment vehicles to calculate final prices.

The value of a CIS and hence the issue and cancellation prices of the units, may not accurately reflect the value that would have

been received by a CIS had that holding been realised on that day.

The underlying funds may invest in Investment vehicles which do not permit holdings to be redeemed on either as frequent a basis as that applying to a CIS or on the same day as a CIS. In the absence of published current redemption prices or NAVs, the Investment Managers may have to determine valuations in respect of such investments.

Adequate information may not always be available to the Investment Manager from underlying funds or other sources for that purpose. Consequently, such valuations may not accurately reflect the realisable value of a CIS's holdings on the next dealing day of the underlying fund concerned or the value that would have been received by a CIS had those holdings been realised on that day.

6.2.Types of Collective Investment Schemes

6.2.1. Hedge Funds

Hedge funds may be regulated or unregulated CISs (although unregulated CISs may be subject to AIFMD) that use derivatives for directional investing and/or are allowed to have a short position and/or use significant Leverage through borrowing.

Additional characteristics of hedge funds are:

- The free choice of assets, including illiquid and distressed securities;
- Free choice of markets, including emerging markets; and
- Free choice of trading style, including a lack of asset diversification.

Whilst returns may be higher than standard investments, investments in hedge funds involve a high degree of risk and are only suitable for investors who fully understand and are willing to assume the risks involved.

In particular, such investors are exposed to potential loss which could involve the complete loss of the investment. Their use of leverage may mean that market movements could have a disproportionate effect on the NAV of the CIS.

A Hedge Fund may acquire other investments and utilise investment techniques which can carry significant additional risks and costs. These techniques include:

- **Short Selling**

This is where a security not owned by a CIS is borrowed so that it can be sold on to a third party. In the event that the price of the security rises higher than that at which the security was sold to the third party, this will cause the CIS to suffer when it buys the security in order to return it to the lender.

On the other hand, if the price of the security falls below the price at which it was sold to the third party, the CIS will benefit when it buys the security in order to return it to the lender.

- **Borrowing**

This would be so that the CIS can invest more than its cash position would allow.

- **The Use of Derivatives**

The risks associated with derivatives are set out in Section 3 above.

Hedge funds are often domiciled in offshore jurisdictions where the standards of regulation and in particular the standards of regulatory supervision do not meet the standards required in the UK.

Investments in hedge funds are typically subject to transfer and redemption restrictions. Transfers are usually subject to the approval by the CIS and redemption may be permitted only after an initial lock-in period and long notification periods.

In most cases there is no liquid market for investments in hedge funds. It may therefore be difficult for a CIS to obtain reliable information about the value of such investments or the extent of the risks to which it is exposed.

Key Portfolio Managers may be dependent upon CISs and their experience levels may vary. Furthermore, where hedge fund managers are compensated on a performance incentive basis it may cause them to make riskier and more speculative investment decisions than if such a fee was not paid.

6.2.1.1. Side Pockets

A side pocket is used in certain hedge funds, and to a very limited extent in certain UCITS funds, to separate illiquid assets from other more liquid investments.

A side pocket can be used to hold some or all of the illiquid investments of a fund. Generally, the Portfolio Manager of a fund has full discretion to decide what investments are considered to be illiquid.

The side pocket may take a number of different forms, including a separate class of shares in a fund, a foreign investment fund or any other form that the fund board or management company of the fund, as applicable, (with the advice of the Investment Manager) deems appropriate.

The fund board or management company of the fund, as applicable (with the advice of the Investment Manager) may decide to side pocket investments in circumstances where it deems that it would be fair and equitable to the investor:

- When it deems that the level of illiquid investments in a fund has reached a level, such that it might affect the ability of the Investment Manager to carry out redemptions on the redemption days for a fund; or
- Where a lack of readily determinable market value for a particular investment could result in subscribing investors unfairly receiving a windfall by achieving exposure to the investment at a price below its value.

Once an investment enters a side pocket, only the present participants in the Hedge Fund will be entitled to a share of it. Future investors will not receive a share of the proceeds in the event the asset's returns get realized.

Investors who leave the Hedge Fund will still receive a share of the side pocket's value when it is realized.

The use of side pockets may restrict the ability of the investor to fully redeem out of the fund until such investments have been removed from the side pocket. This will leave investors exposed to the performance of the investment

for an indefinite period of time until the investment is liquidated.

When investments are side pocketed, one or more corporate actions may be executed on the investor's shares. Such corporate actions may consist of, but are not limited to:

- The compulsory conversion of shares into shares of a new class of the same fund or shares/units of another undertaking for collective investment or any other vehicle.
- The compulsory redemption of the investor's shares and the compulsory contribution in kind of the redemption proceeds to a new share class of the fund, to another undertaking for collective investment or any other vehicle.
- The compulsory redemption of the investor's shares and the payment in kind of the redemption proceeds in the form of shares of a new share class of the fund or shares/units of another undertaking for collective investment or any other vehicle.
- A unit split.

The shares/units or other interests linked to the side pocket(s) can in principle not be redeemed until the side pocket assets are realised, or until the assets are moved out of the side pocket(s).

6.2.2. Private Equity Funds

Private equity funds can be set up as unregulated CIS (although they may be subject to AIFMD) that invest exclusively or almost entirely in financial instruments issued by companies that are not listed, or that takeover publicly listed companies with a view to delisting them.

Investment in private equity funds is typically by way of commitment, whereby an investor agrees to commit to invest a certain amount in the fund and this amount is drawn down by the fund as and when it is needed, to make private equity investments.

Private equity funds tend to be closed ended and to have a finite lifespan. During the life of the private equity fund it is usually not possible for a CIS to redeem its investment. Therefore, if

a portfolio invests in a private equity fund, it may be several years before a portfolio sees any sort of return on the Investment.

Whilst returns may be higher than standard investments, investments in private equity funds involve a high degree of risk and are only suitable for investors who fully understand and are willing to assume the risks involved.

The returns are dependent on the performance of the companies in which the fund invests and, in turn therefore, largely dependent on the Investment Manager of the fund's ability to influence that performance.

Investors in private equity funds are exposed to potential loss which could involve the complete loss of the investment.

6.2.3. Real Estate Funds

Real estate funds can be set up as unregulated CIS (although they may be subject to AIFMD) that invest exclusively or almost entirely in real estate, or in companies that invest in real estate.

Most real estate funds are structured and operate in a similar manner to private equity funds. Investment in real estate funds is typically by way of commitment, whereby an investor agrees to commit to invest a certain amount in the fund and this amount is drawn down by the fund as and when it is needed, to make real estate investments.

A CIS may invest in real estate funds in accordance with its investment restrictions.

Real estate funds tend to be closed ended and to have a finite lifespan. During the life of the fund, it is usually not possible for a CIS to redeem its investment. Therefore, if a portfolio invests in a real estate fund, it may be several years before a portfolio sees any sort of return on the investment. Some real estate funds are open-ended and a CIS will be able to redeem its investment following a required notice period, which is normally a number of months long. Open ended funds may operate side pockets, gating or suspension mechanisms to control redemptions.

Clients should note that property investments are illiquid and there may be no public market

for property investments of the nature of those contemplated by a real estate fund.

Investors in such funds are exposed to the risk of a general downturn in the property market and potential loss which could involve the complete loss of the investment.

The value and marketability of real estate fund investments are subject to many factors beyond the control of a CIS and any real estate fund:

- Adverse changes in economic conditions;
- Adverse local market conditions; and
- Risks associated with the acquisition, financing, ownership, operation and disposal of property.

Returns are dependent on the value of the properties or companies in which the fund invests and therefore on the ability of the Portfolio Manager to pick investments that increase in value.

The eventual liquidity of all investments made by a real estate fund will depend on the success of the realisation strategy proposed for each investment and there is a significant risk that a real estate fund may be unable to realise its investment objective by sale or other disposition at attractive prices or, at the appropriate times or in response to changing market conditions, or may otherwise be unable to complete a favourable exit strategy.

Whilst returns may be higher than standard investments, investments in real estate funds involve a high degree of risk and are only suitable for investors who fully understand and are willing to assume the risks involved.

6.2.4. Infrastructure Funds

Infrastructure funds can be set up as unregulated CIS that invest exclusively or almost entirely in infrastructure investments, such as renewable power (i.e., solar and wind farms), or in companies that invest in infrastructure.

Most infrastructure funds are structured and operate in a similar manner to private equity and real estate funds. Investment in infrastructure funds is typically by way of commitment, whereby an investor agrees to

commit to invest a certain amount in the fund and this amount is drawn down by the fund as and when it is needed, to make infrastructure investments.

A CIS may invest in infrastructure in accordance with its investment restrictions.

Infrastructure funds may be closed-ended and have a finite lifespan. During the life of a closed-ended fund it is usually not possible for a CIS to redeem its investment. Therefore, if a portfolio invests in an infrastructure fund, it may be several years before a portfolio sees any sort of return on the investment.

Clients should note that infrastructure investments are illiquid and there may be no public market for the underlying investments in which an infrastructure fund invests.

Investors in such funds are exposed to the additional risks over changes in energy policy and/or supply and technological developments as well as the risk of a general downturns in the infrastructure market and potential loss which could involve the complete loss of the investment.

The value and marketability of infrastructure fund investments are subject to many factors beyond the control of a CIS and any infrastructure fund:

- Adverse changes in economic conditions;
- Adverse local market conditions; and
- Factors associated with the acquisition, financing, ownership, operation and disposal of infrastructure.

Returns are dependent on the value of the properties or companies in which the fund invests and therefore on the ability of the Portfolio Manager to pick investments that increase in value.

The eventual liquidity of all investments made by an infrastructure fund will depend on the success of the realisation strategy proposed for each investment and there is a significant risk that an infrastructure fund may be unable to realise its investment objective by sale or other disposition at attractive prices or, at the appropriate times or in response to changing

market conditions, or may otherwise be unable to complete a favourable exit strategy.

Whilst returns may be higher than standard investments, investments in infrastructure funds involve a high degree of risk and are only suitable for investors who fully understand and are willing to assume the risks involved.

6.2.5. Exchange-Traded Funds (“ETFs”) and Exchange Traded Commodities (“ETCs”)

ETFs are CISs, whose shares are listed or admitted for trading on one or more stock exchanges.

Shares in the ETF can be subscribed and redeemed directly with the ETF by authorized participants. Shares can be traded on the secondary market by investors on a stock exchange or over-the-counter (OTC).

The majority of ETFs are passively managed and aim to track the performance of an index such as the FTSE 100 or the Hang Seng Index.

The structure of ETFs may vary; however, the major common features include:

- ETFs have one or more exchange listings;
- A majority of ETFs are index trackers but a few are actively managed;
- Depending on their domicile, ETFs usually only accept subscriptions and redemptions on the primary market from financial institutions which are registered as authorised participants with the ETFs; other investors which are not authorised participants would buy and sell shares in the ETFs on the secondary market, e.g., through intermediaries on stock exchanges on which the shares are traded;
- Depending on the underlying exposure, certain ETFs may accept subscriptions and redemptions on an in-kind basis (and/or in cash) from or via authorised participants (typically in large blocks of shares only); and
- The 'value' of the ETF (but not necessarily the price at which its shares

trade) derives from the value of the underlying assets comprising the ETF.

The price of the ETF shares depends on two main factors:

- The value of the underlying investments; and
- The popularity (or unpopularity) of the ETF shares in the market.

The result is that ETF shares do not simply reflect the value of the underlying investments, they also reflect their popularity in the market. At any time, the share price may trade at a discount or premium to the net asset value.

Some ETFs borrow money to invest, to increase the level exposure to the underlying index (“gearing”). Gearing improves an ETF’s performance when its investments are doing well. However, if its investments are not performing as well as expected, gearing lowers performance. An ETF that is geared is a higher-risk investment than one which is not geared (assuming the same underlying investments).

ETCs are similar to ETFs in the way that their securities are also listed or traded on exchange and the price of the ETC securities will depend on the value of the underlying investments as well as the popularity (or unpopularity) of the ETC. ETCs are not called ETFs because they are not structured as CISs; rather, ETCs may be structured as a series of debt securities (instead of sub-funds) issued by a special purpose vehicle and provide exposure to an underlying physical commodity such as physical gold.

6.2.6. Funds of Funds

Funds of funds are CISs that invest in other CIS. Two common types are:

- Funds of hedge funds; and
- Private equity funds of funds.

A fund of hedge funds invests in other hedge funds.

A private equity fund of funds invests in other private equity funds.

Fund of funds offer an opportunity for investors to invest in a portfolio of hedge funds or private equity funds (and thereby diversify their risk).

The returns on a fund of funds will be lower than a series of direct investments in the underlying funds because the Investment Manager of the fund of funds takes a fee in addition to the fee charged by the Investment Managers of the underlying funds.

Investments in a fund of hedge funds are typically subject to transfer and redemption restrictions. Transfers are usually subject to the approval by the fund and redemption may be permitted only after an initial lock-in period and long notification periods.

Investment in private equity fund of funds is typically by way of commitment whereby an investor agrees to commit to invest a certain amount in the fund and this amount is drawn down by the fund as and when it is needed, to honour its commitments to the private equity funds in which it has invested.

Private equity funds tend to be closed ended and to have a finite lifespan. During the life of the private equity fund it is usually not possible for a CIS to redeem its investment. Therefore, if a portfolio invests in a private equity fund, it may be several years before a portfolio sees any sort of return on the investment.

7. Structured Products

Structured products are products structured to fulfil a particular trading or market objective.

A structured product may combine the features of two or more financial instruments, such as a bond and a derivative. Where this is the case, the structured product will typically be exposed to the risks of each of those financial instruments, but they may interact with each other in ways which magnify those risks and/or give rise to other risks and this may depend on the particular circumstances and market conditions.

Derivatives often constitute an integral part of a structured product. The product may involve an element of Leverage and so a relatively small movement in the value of the relevant underlying asset or index may have a significant effect on the value of the structured product.

Structured products are generally not traded on regulated markets and a portfolio takes the risk on the counterparty issuing the structure.

There is typically no recognised market for these investments, and it may, therefore, be difficult for a portfolio to deal in the investment or to obtain reliable information about its value or the extent of the risks to which it is exposed.

Structured products are typically structured with the intention that they are held to maturity. The disposal of the structured product prior to maturity may result in a sale price that is significantly less than the amount invested and may not reflect any increase in value attributable to the increase in the underlying asset.

Structured products may be subject to call risk, in which case the investor's exposure to the underlying asset may be terminated earlier than the investor had anticipated, and the investor may therefore not fully experience the performance potential of the underlying asset.

Some structured products include an element of capital protection or a guaranteed investment return (for example, in terms of the minimum amount payable at maturity or in terms of income yield). However, a portfolio should bear in mind that this is not a guarantee that the amount invested will be repaid or that the return will be achieved in all circumstances. In particular the capital protection or minimum return offered is typically subject to the investment being held until maturity and to the creditworthiness of the issuer. Accordingly, if the structured product is sold or redeemed prior to maturity, the amount realised (or return achieved) may be less than the amount that would be payable (or the return that would be achieved) at maturity under the capital protection (or, as applicable, the guaranteed return) feature.

Structured products are often high-risk investments, and a portfolio could lose some or all of the money that it has invested in them.

8. Linked Long-Term Insurance Policies (Life Policies)

Within the UK, linked long-term insurance is a form of pooled investment offered by certain life

insurance companies to eligible investors (principally pension scheme trustees acting on behalf of pension schemes).

A linked long-term insurance policy is a long-term insurance contract where the benefits are wholly or partly to be determined by references to the value of, or the income from, property of any description (whether or not specified in the contracts) or by reference to fluctuations in, or in an index of, the value of property of any description (whether or not so specified).

The life insurance company typically establishes funds in the form of investment portfolios. These funds are then notionally divided into units for the sole purpose of ascertaining the benefits payable under the policies that the life insurance company has written for its various investors.

Each fund has a specified investment objective and policy. The range of funds available will, accordingly, enable investors to gain exposure (amongst others) to a range of markets, sectors, asset classes and investment strategies. The funds will seek to achieve their investment objectives and policies by investing in 'property' (assets) that are permitted (by applicable law and regulation) to be held for the purposes of providing benefits under the linked long-term policies. This 'property' will typically consist of cash, shares, bonds, CIS and/or derivatives but may include other classes of assets.

Each investor will enter into a policy with the life insurance company and will then contribute premiums in exchange for units in the funds the investor has selected according to their investment preferences. As and when the investor wishes to divest from funds (in part or in full), the investor will surrender units in exchange for payment of an amount equal to the value of the units they have surrendered.

As noted above, linked long-term insurance policies operate such that investor benefits under the policies are wholly or partly determined by reference to the value of, or the income from the underlying linked property. This means that investors bear substantially all of the market and counterparty risks associated with the cash, shares, bonds, CIS, derivatives and any other 'property' held by the funds. All

investments are subject to risks, including fluctuations in capital value. Investors should always bear in mind that the value of the 'property', the price of their units and/or income from a fund can go down as well as up and is not guaranteed. An investor may lose some or all of the premium that they have contributed.

Please note insurance products that are domiciled outside of the UK may be structured differently than described above.

9. Miscellaneous

9.1. Distressed Securities

Investment in a security issued by a company that is either in default or in high risk of default ("Distressed Securities") involves significant risk.

Such investments will only be made when the Investment Manager believes it is reasonably likely that the issuer of the securities will make an exchange offer or will be the subject of a plan of reorganisation.

There can be no assurance that such an exchange offer will be made or that such a plan of reorganization will be adopted or that any securities or other assets received in connection with such an exchange offer or plan of reorganisation will not have a lower value or income potential than anticipated when the investment was made.

In addition, a significant period of time may pass between the time at which the investment in Distressed Securities is made and the time that any such exchange offers, or plan of reorganisation is completed. During this period, it is unlikely that any interest payments on the Distressed Securities will be received, there will be significant uncertainty as to whether or not the exchange offer, or plan of reorganisation will be completed, and there may be a requirement to bear certain expenses to protect a portfolio's interest in the course of negotiations surrounding any potential exchange or plan of reorganisation.

In addition, as a result of participation in negotiations with respect to any exchange offer or plan of reorganisation with respect to an issuer of Distressed Securities, a portfolio may be precluded from disposing of such securities.

Furthermore, constraints on investment decisions and actions with respect to Distressed Securities due to tax considerations may affect the return realised on the Distressed Securities.

A portfolio may invest in securities of issuers that are encountering a variety of financial or earnings problems and represent distinct types of risks.

A portfolio's investments in equity or fixed income transferable securities of companies or institutions in weak financial condition may include issuers with substantial capital needs or negative net worth or issuers that are, have been or may become, involved in bankruptcy or reorganisation proceedings.

9.2. Smaller Capitalisation Companies

Securities of smaller capitalisation companies may, from time to time, and especially in falling markets, become illiquid and experience short-term price Volatility and wide Bid/Ask Spreads.

Investment in smaller capitalisation companies may involve higher risk than investment in larger companies.

The securities of smaller companies may be subject to more abrupt or erratic market movements than larger, more established companies or the market average in general.

Smaller companies may have limited product lines, markets or financial resources, or they may be dependent on a limited management group. Full development of those companies takes time.

Many small company stocks trade less frequently and in smaller volume and may be subject to more abrupt or erratic price movements than stocks of large companies. The securities of small companies may also be more sensitive to market changes than the securities of large companies. These factors may result in above-average fluctuations in the price of a fund's units.

9.3. Investments in Specific Sectors or Technologies

A portfolio may have exposure to technology stocks. Investments in securities of technology related companies present certain risks that

may not exist to the same degree as in other types of investments and tend to be relatively more volatile.

Technology-related investments may include smaller and less seasoned companies. Such companies may have limited product lines, markets, or financial resources, or may depend on a limited management group. These companies also strongly affected by worldwide scientific or technological developments, and their products may rapidly fall into obsolescence.

The share price gains of many companies involved in the alternative energy and energy technology sectors in the recent past have been significantly greater than those experienced by equity markets as a whole. Consequently, the shares of many alternative energy and energy technology focused companies are now valued, using certain valuation criteria, at a substantial premium to the average for equity markets in general.

There can be no assurance or guarantee that current valuations of alternative energy and energy technology focused companies are sustainable.

Competition between technology companies is intense, and profit margins can be small or non-existent. In fact, many technology companies operate at substantial losses with no prospect for profit in the foreseeable future. Consequently, investment in such companies by a portfolio may be considered speculative.

With regard to asset-based securities, while the market price for an asset-based security and the related natural resource asset generally are expected to move in the same direction, there may not be perfect correlation in the two price movements. Asset-based securities may not be secured by a security interest in or claim on the underlying natural resource asset. The asset-based securities in which a portfolio may invest may bear interest or pay preferred dividends at below market rates and, in some instances, may not bear interest or pay preferred dividends at all.

Certain asset-based securities may be payable at maturity in cash at the stated principal amount or, at the option of the holder, directly

in a stated amount of the asset to which it is related. In such instance, a portfolio would endeavour to sell the asset-based security in the secondary market prior to maturity if the value of the stated amount of the asset exceeds the stated principal amount and thereby realise the appreciation in the underlying asset. There may also be increased impacts on the value of the investments as a result of environmental factors (both physical changes related to climate change and the transition to alternative energy), as well as social and governance factors. Funds with specific sectoral concentrations such as investing in industries or issuers with high carbon intensity or high switching costs associated with the transition to low carbon alternatives, may be more impacted by climate transition risks.

In relation to investments in financial services companies, investors should note that the prices of stock issued by many financial services companies have historically been more closely correlated with changes in interest rates than other stocks. Generally, when interest rates go up, stock prices of these companies go down. This relationship may not continue in the future.

9.4. Bail-In Risk

This is the risk that the financial instruments of certain issuers, including banking institutions, building societies, investment firms and certain banking group companies, may be subject to action taken by governmental, banking and/or other regulatory authorities, for example to address banking crises pre-emptively, whether or not the express terms of such financial instruments anticipate such action.

The relevant authorities may have broad discretion with respect to the action they may take, and their powers may be extended in response to particular events. Examples of the actions that they may be able to take could include the following:

- The reduction, including to zero, of the principal of the fixed income instruments of such issuers;
- The conversion of such fixed income instruments into equity securities or other instruments of ownership

(resulting in the dilution of ownership interests of existing shareholders);

- The variation of the terms, including with respect to maturity, of such fixed income instruments; and
- Shareholders being divested of their shares.

EU member state authorities are more likely to use a “bail-in” tool to rescue troubled banks, instead of relying on public financial support as they have in the past, as European Union (“EU”) member state authorities now consider that public financial support should only be used as a last resort after having assessed and exploited, to the maximum extent practicable, other resolution tools, including the “bail-in” tool.

In addition to bail-in risk, certain issuers (principally, banking institutions) may issue a hybrid form of subordinated fixed income security known as contingent convertible securities (“CoCos”). These financial instruments are intended to either convert into equity or have their principal written down upon the occurrence of certain “triggers” linked to regulatory capital thresholds or where the issuer’s regulatory authorities question the continued viability of the entity as a going-concern. There may be broad discretion conferred on the issuer with respect to the determination as to whether any of these triggers have occurred and the specific features and characteristics of CoCos may vary significantly, as they are typically tailored to the particular issuer and its regulatory requirements. Therefore, it is particularly important to review the relevant terms and conditions.

9.5. Securities lending

Where portfolios are engaging in securities lending, the portfolios will have a credit risk exposure to the counterparties to any securities lending contract. A default by the counterparty combined with a fall in the value of the collateral below that of the value of the securities lent may result in a reduction in the value of the portfolio. More information regarding securities lending can be found at www.blackrock.com.

9.6. Risks in relation to Repurchase Agreements

In the event of the failure of the counterparty with which collateral has been placed, the portfolio may suffer loss as there may be delays in recovering collateral placed out or the cash originally received may be less than the collateral placed with the counterparty due to inaccurate pricing of the collateral or market movements.

9.7. Risks in relation to Reverse Purchase Agreements

In the event of the failure of the counterparty with which cash has been placed, the portfolio may suffer loss as there may be delay in recovering cash placed out or difficulty in realising collateral or proceeds from the sale of the collateral may be less than the cash placed with the counterparty due to inaccurate pricing of the collateral or market movements.

9.8. ESG Risk

The application of environmental, social and governance (“ESG”)-based exclusionary criteria may result in the portfolio foregoing opportunities to purchase, or otherwise reducing exposure to or underweighting, certain securities when it might otherwise be advantageous to carry out such purchase or maintain its holding of such securities, and/or selling securities due to their ESG characteristics, when to do so might otherwise be disadvantageous. As such, the use of such criteria may affect a portfolio’s investment performance.

In assessing a security, issuer or index based on ESG characteristics, the Investment Manager may be dependent upon information and data from third-party ESG research providers, which may be incomplete, inaccurate or unavailable. It may also seek to rely on its own proprietary models which may similarly rely on information, which is incomplete, inaccurate or unavailable. As a result, there is a risk that the Investment Manager may incorrectly assess a security, issuer or index. There is also a risk that the Investment Manager, or third-party ESG providers on which the Investment Manager may depend, may not interpret or apply the relevant ESG characteristics correctly. Neither

the Investment Manager nor any of their affiliates makes any representation or warranty, express or implied, with respect to the fairness, correctness, accuracy, reasonableness or completeness of any such ESG assessment.

9.9. Artificial Intelligence (AI) Risk

Companies in AI-related businesses will be subject to risks associated with developing technology and will face intense competition which may have an adverse effect on profit margins. It is likely that these companies will also rely heavily on Patents and other proprietary rights and any loss of, or limitation on their ability to enforce, such proprietary rights in the future could have a material adverse effect on their profitability. Certain AI technology features may also increase the risk of fraud or cyberattack.

10. Index-Related Risks

Client Portfolios managed under an Agreement with BlackRock, may reference an index against which the return of the Portfolio (or part of it) is compared (“benchmark index”). The benchmark index will be made available to BlackRock by a service provider (“index provider”). There is no assurance that the index provider will compile the benchmark index accurately, or that the benchmark index will be determined, composed or calculated accurately. The index provider does not provide any warranty or accept any liability in relation to the quality, accuracy or completeness of data in respect of the benchmark index and does not guarantee that the benchmark index will be in line with the described index methodology.

BlackRock does not provide any warranty or guarantee for index provider errors. Errors in respect of the quality, accuracy and completeness of the data may occur from time to time and may not be identified and corrected for a period of time, particularly where the indices are less commonly used (as is the case, for example, with a custom benchmark implemented following client request). Therefore gains, losses or costs associated with index provider errors will be borne by the client or the Portfolio. As such, errors may result in a negative or positive performance impact to the Portfolio. Clients should understand that any

gains from index provider errors will be kept by the Portfolio and any losses resulting from index provider errors will be borne by the client or Portfolio.

The Investment Manager will not be liable to the client for index provider inaccuracies, omissions or other errors, failures to publish or other interruptions. Index providers normally provide data on a no-liability basis with no recourse against the provider for any provider inaccuracies, omissions or other errors, failures to publish or other interruptions.

APPENDIX 3

Appendix 3 – Glossary of Terms

Glossary of Terms	
Affiliated Parties	BlackRock and the other companies within the BlackRock Group
Agreement	An investment management agreement between BIM UK and your service provider.
BlackRock Group	BIM UK together with other subsidiaries of BlackRock Group Limited.
Client	The recipient of the financial service "administration of financial instruments (portfolio management)" in accordance with art. 3 (c) (3) FinSA. In the context of the Third-Party Manager Program, your service provider.
FCA Rules	Includes any rules, guidance, principles and other provisions contained in the Handbook of Rules and Guidance ("FCA Handbook") issued by the UK Financial Conduct Authority pursuant to the Financial Services and Markets Act 2000 or of any successor regulatory body, and any other rules, guidance, principles and other provisions made by the FCA or its successor that are binding on BlackRock, and references to FCA Rules are to such rules as amended or consolidated from time to time.
Inducement	In general, inducements are defined as any monetary or non-monetary benefit which is paid or provided to or by a Third Party (or a person acting on behalf of a third party), in connection with an investment or ancillary service provided by BlackRock to a client.
In -House Funds	Collective Investment Schemes (which includes Regulated and Unregulated Collective Investment Schemes ((each as respectively defined in the relevant local regulations) and, for the avoidance of doubt, exchange traded funds) and investment trusts managed or operated by BlackRock or any other company in the BlackRock Group.
Investment Manager	A company or individual that is authorised to make investments in portfolios of securities on behalf of clients in accordance with the investment objectives and parameters the client has defined. Investment managers will undertake all activities associated with the management of a client portfolio, including (but not limited to) the day-to-day buying and selling of securities to portfolio monitoring, transaction settlement, performance measurement, as well as regulatory and client reporting.
Leverage	When investors borrow funds to increase the amount they have invested in a particular position, they use leverage. Sometimes Portfolio Managers use leverage to enable them to put on new positions without having to take off other positions prematurely.
Liquidity	The degree to which an asset or security can be bought or sold in the market without affecting the asset's price. Liquidity is characterised by a high level of trading activity. The ability to convert an asset to cash quickly. Investing in illiquid assets is riskier because there might not be a way for you to get your money out of the investment. Examples of assets with good liquidity include blue chip common stock and those assets in the money market. A fund with good liquidity would be characterised by having enough units outstanding to allow large transactions without a substantial change in price.
Market Maker	A person who holds himself out on the financial markets on continuous basis as being willing to deal on own account by buying and selling financial instruments against the person's proprietary capital at prices defined by that person.
MiFID	The European Parliament and Council Directive on Markets in Financial Instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (No. 2014/65/EU).

Glossary of Terms	
NAV	Net Asset Value, meaning the value of the assets of a portfolio or Collective Investment Scheme, minus its liabilities.
Portfolio	A collection of investments or a separate portfolio of investments being invested in by the Client.
Portfolio Manager	An individual with day-to-day responsibility for managing portfolios in accordance with mandates given by clients on a discretionary client-by-client basis where such portfolios include one or more financial instruments.
Professional Client	A Professional Client is a client who possesses the experience, knowledge and expertise to make its own investment decisions and properly assess the risks that it incurs.
Short Selling	The selling of a security that the seller does not own, or any sale that is completed by the delivery of a security borrowed by the seller. Short sellers assume that they will be able to buy the stock at a lower amount than the price at which they sold short. Selling short is the opposite of going long. That is, short sellers make money if the stock goes down in price. This is an advanced trading strategy with many unique risks and pitfalls.
Securities Lending	The process by which securities are transferred to a counterparty, subject to an obligation for return of the equivalent securities at a future date. The lender is remunerated by way of a fee.
UCITS	An Undertakings for Collective Investment in Transferable Securities authorised in the European Economic Area and established in accordance with the UCITS Directive 2009/65/EC.
UK UCITS	A UK Undertakings for Collective Investment in Transferable Securities. As UK authorised schemes will no longer be established and authorised in the European Economic Area, they will lose their legal status as UCITS funds according to European Union law. The Collective Investment Schemes (Amendment etc.) (EU Exit) Regulations 2018 introduces a UK UCITS regime for funds established and authorised in the United Kingdom, which will be distinguished by the label "UK UCITS".
Volatility	The relative rate at which the price of a security or fund moves up and down. Volatility is found by calculating the annualised standard deviation of daily change in price. If the price of a stock moves up and down rapidly over short time periods, it has high volatility. If the price almost never changes, it has low volatility.

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