

BlackRock Pensions Limited

DC Long-Gilt Fund

Defined Contributions

As at 31 December 2009

BLACKROCK

Overview and Manager's Report

The global economic environment continued to improve during the fourth quarter of 2009, driven largely by government stimulus programmes. The UK has continued to lag the global recovery, being the only G20 nation still formally in recession as at the end of the third quarter. The Bank of England (BoE) maintained the base interest rate at 0.5% throughout the quarter, and made a further increase of £25bn to the Quantitative Easing (QE) gilt purchase programme, bringing the total to £200bn. Demand for 'risk' assets continued to remain strong, albeit the pace of appreciation was somewhat lower than experienced during Q2 and Q3. In this environment gilts remained volatile, finishing broadly weaker following the Pre Budget Report. Corporate bond spread compression continued throughout the quarter. Despite a small improvement in economic fundamentals during the quarter the BoE Quarterly Inflation report remained sanguine with regard to inflation risks and underlined their view that the recovery remains fragile.

The DC Long Gilt Fund was positioned to reflect its benchmark throughout the quarter.

The most significant challenge in the year ahead for policy-makers will be how and when they withdraw the extraordinary stimulus currently applied to economies. The risks of tightening policy too early and choking off recovery remain as grave as acting too slowly and allowing inflation to become embedded. The risks to the gilt market remain particularly high give the combination of excessive issuance, likely withdrawal of QE and the lack of a credible deficit reduction plan.

Objectives and Policies

Invests mainly in long-dated UK government bonds and aims to produce a return in line with its benchmark.

Fund Facts

Fund Value (£m): £55.0

Launch Date: 31 January 2001

Benchmark: FTA Over 15 Year Gilts Index

Risk Rating Profile: Low



These ratings give an indication of the risk level of a fund only in relation to BPL's overall fund range.

Performance & Fund Characteristics

Performance for 12 months to:

| | 31 Dec 05 | 31 Dec 06 | 31 Dec 07 | 31 Dec 08 | 31 Dec 09 |
|-----------|-----------|-----------|-----------|-----------|-----------|
| Fund | +11.0% | +0.0% | +2.7% | +13.8% | -4.9% |
| Benchmark | +11.0% | +0.0% | +2.7% | +13.6% | -4.8% |

Performance for:

| | 3 months | Year to date | 12 months | 3 years p.a. | 5 Years or since launch | 5 Years or since launch p.a. |
|-----------|----------|--------------|-----------|--------------|-------------------------|------------------------------|
| Fund | -4.3% | -4.9% | -4.9% | +3.6% | +23.5% | +4.3% |
| Benchmark | -4.3% | -4.8% | -4.8% | +3.6% | +23.3% | +4.3% |

Source: BlackRock. Performance shown is gross of fees.

Please call our helpline to check the charges that will apply to your investment.

Past performance is not a guide to future performance. The value of investments and the income from them can fluctuate and are not guaranteed. Investors may not get back the amount invested. Rates of exchange may cause the value of investments to go up or down. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Any objective or target will be treated as a target only and should not be considered as an assurance or guarantee of performance of the Fund or any part of it. The Fund objectives and policies include a guide to the main investments to which the Fund is likely to be exposed. The Fund is not necessarily restricted to holding these investments only. Subject to the Fund's objectives, the Fund may hold any investments and utilise any investment techniques, including the use of derivatives, permitted under the FSA's New Conduct of Business Sourcebook which contain the rules by which investment of the Fund is governed. The BlackRock Pensions Limited notional fund units have a single unit price. The unit prices are normally calculated on each business day. For performance reporting, notional units are valued at special closing prices on the last working day of each quarter to enable comparison with the relevant benchmark index. Issued by BlackRock Pensions Limited, which is authorised and regulated by the Financial Services Authority. BlackRock Pensions Limited, 33 King William Street, London EC4R 9AS. Phone: 020 7743 3000 Fax: 020 7743 1000. Registered in England number 2348841. BlackRock is a trading name of BlackRock Pensions Limited.

Top Ten Holdings

| | Fund (%) |
|------------------------------|-------------|
| UK CONV GILT 4.75 07/12/2038 | 9.7 |
| UK CONV GILT 4.25 07/06/2032 | 9.3 |
| UK CONV GILT 6.0 07/12/2028 | 9.0 |
| UK CONV GILT 4.5 07/12/2042 | 8.8 |
| UK CONV GILT 5.0 07/03/2025 | 8.7 |
| UK CONV GILT 4.25 07/03/2036 | 8.4 |
| UK CONV GILT 4.25 07/12/2027 | 8.0 |
| UK CONV GILT 4.25 07/12/2055 | 8.0 |
| UK CONV GILT 4.75 07/12/2030 | 7.3 |
| UK CONV GILT 4.25 07/12/2046 | 7.0 |
| Total | 84.3 |

Source: BlackRock

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