

BlackRock Pensions Limited DC Diversified Growth Fund Defined Contributions

As at 31 December 2009

(Previously Target Return Fund)

BLACKROCK

Overview and Manager's Report

The DC Diversified Growth Fund delivered positive performance during the fourth quarter of 2009, further enhancing the return for the year.

During the quarter, risk assets (equities, commodities and corporate bonds) ended the period strongly, as investors responded to improving economic data, particularly in the US, towards the end of the year. Given the more-positive macro environment, the Fund's exposure to equities and its significant allocation to corporate and convertible bonds supported performance.

Within the Fund's exposure to alternatives, selective hedge fund managers, including Brevan Howard and Dexion Absolute, delivered strong absolute returns. Exposure to commodities also proved positive; agriculture commodities, which have been supported by harsher-than-expected weather conditions in the US and technical factors, such as short sellers covering their positions, performed particularly well. On the negative side, our small exposure to property detracted from returns, as property markets lagged the broader economic recovery.

We increased the overall equity exposure during the fourth quarter of 2009, reflecting our positive view on asset classes that will benefit from a continued improvement in economic conditions. In addition, we have reduced some of the Fund's government bond holdings and cash positions.

2009 proved to be a period of economic recovery, providing the foundation for a substantial bounce across many asset classes. Investors now face a different challenge. The broad financial environment is, we believe, consistent with the recovery theme persisting during 2010, providing the potential for additional, if less-spectacular, gains across a range of asset classes.

Performance & Fund Characteristics

Performance for 12 months to:

31 Dec 05 31 Dec 06 31 Dec 07 31 Dec 08 31 Dec 09

Fund	n/a	n/a	+7.5%	-13.5%	+17.8%
Benchmark	n/a	n/a	+9.0%	+8.2%	+4.1%

Performance for:

Fund	3 months	Year to date	12 months	3 years p.a.	5 Years or since launch	5 Years or since launch p.a.
Fund	+3.2%	+17.8%	+17.8%	+3.1%	+14.2%	+3.8%
Benchmark	+1.0%	+4.1%	+4.1%	+7.1%	+27.8%	+7.2%

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.

Objectives and Policies

This Fund targets an investment return of 3.5% above the Bank of England base rate measured over rolling 3 year periods by utilising a multi-asset flexible investment approach. In aiming to achieve the target, this Fund will generally hold a variety of different types of assets at any one time.

Fund Facts

Fund Value (£m): £176.4

Launch Date: 30 June 2006¹

Benchmark: N/A

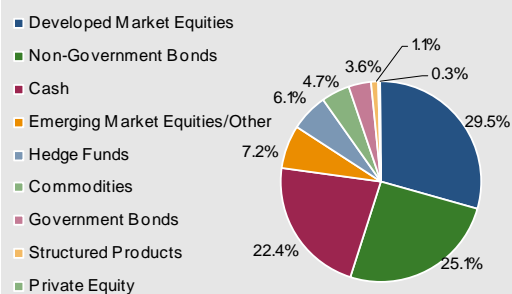
Risk Rating Profile: Low-Medium



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

¹ This fund was restructured and relaunched on 30 June 2006

Asset Allocation



Source: BlackRock

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