

BlackRock Pensions Limited DC Diversified Growth Fund Defined Contributions

As at 30 June 2010

(Previously Target Return Fund)

BLACKROCK

Overview and Manager's Report

The DC Diversified Growth Fund delivered a negative return over the second quarter, as fear and volatility returned to markets. Global equities fell sharply over the period, posting double-digit negative returns. Government bonds and gold rallied as investors piled into "safe-haven" assets on concerns over the slowing global economy, sovereign debt issues and fragility in the banking system.

In this environment the Fund's allocation to equities was the main detractor. Stock selection was strong from the UK equity managers and hedging strategies that were implemented at the turn of the second quarter reduced the negative impact of holding equities but, given the extent of falls, holding the asset class ultimately hurt performance.

On the positive side, our active approach to managing investment risk assisted returns. We hedged our euro exposure, as we anticipated increased pressure on the currency, as the threat of contagion from peripheral European nation's debt issues spooked investors. We anticipated US dollar strength too, as investors reduced exposure to the euro and demand for "safe-haven" assets increased.

Elsewhere, the large allocation to investment grade credit was retained, and delivered positive returns, while the position in Brevan Howard outperformed other hedge fund holdings and ended the quarter flat. Within commodities, our allocation to gold, which was increased, contributed to performance.

The recent correction in equities has left valuations looking attractive relative to historical averages. Whilst the road to recovery will not be smooth the environment should be broadly positive for risk assets, although near-term levels of volatility may persist.

Performance & Fund Characteristics

Performance for 12 months to:

	30 Jun 06	30 Jun 07	30 Jun 08	30 Jun 09	30 Jun 10
Fund	n/a	n/a	+3.1%	-7.7%	+12.7%
Benchmark	n/a	n/a	+9.0%	+6.0%	+4.0%

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	-2.5%	+0.4%	+12.7%	+2.4%	+14.6%	+3.5%
Benchmark	+1.0%	+2.0%	+4.0%	+6.3%	+30.3%	+6.8%

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 official Bank 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): 200.1

Launch Date: 30 June 2006¹

Benchmark: Bank of England official Bank Rate plus 3.5%

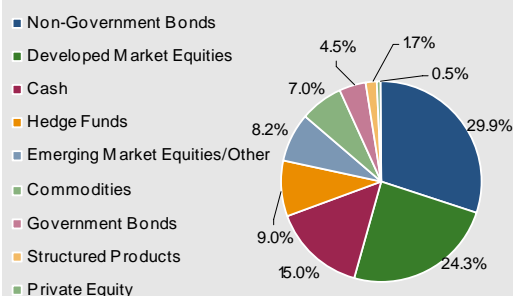
Risk Rating Profile: Low-Medium



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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