

BLACKROCK

Week in View

Equity markets were broadly range-bound over the week, following a reasonably firm start to the week. This slightly better sentiment early in the week appeared attributable to rumours that the new US administration might be considering a new stance on the troubled banking sector, involving the creation of a 'bad' bank to would take on the sector's bad debts.

In general, we saw government bond markets trading slightly weaker, with bond yields backing up slightly for much of the week. This appeared partly attributable to concerns about increased issuance, but some profit-taking also appeared to play a part following recent very strong bond market performance. We believe that government bond yields are now approaching the top end of their range.

Market Movements

Markets	30 Jan 2009	% Change
S&P 500	825.88	-0.73
NASDAQ	1476.42	-0.06
TSE 1st Section	794.03	2.65
FTSE S&P World Europe	239.21	3.05
FTSE All-Share	2078.92	2.38
DAX	4338.35	3.81
Hang Seng	13278.21	5.56
Citi World Govt Bond Index All Mats	543.14	0.21
Bonds*	30 Jan 2009	23 Jan 2009
US	2.84	2.62
Japan	1.29	1.23
Germany	3.29	3.22
UK	3.91	3.88
Currencies	30 Jan 2009	23 Jan 2009
USD/Euro	1.28	1.28
GBP/Euro	0.89	0.94
JPY/USD	89.91	89.41
USD/GBP	1.44	1.37
JPY/GBP	129.48	122.21
Commodities	30 Jan 2009	% Change
Oil (Brent Crude)	44.33	2.59
Commodity Futures (CRB) Index	364.50	-0.29
Gold	898.25	1.27

Meanwhile, credit markets have been performing more strongly, with a trend towards narrower spreads in both investment grade and high yield credit in recent weeks. Money market spreads have also been coming in - a trend we believe could continue over the quarter.

Equity, currency and bond markets measured from previous Friday's close to Friday's close. All index returns in local currency terms. All equity index returns are price only. *Bonds: 10-year yield. This material is for distribution to professional intermediary clients only and should not be relied upon by any other persons. Past performance is not a guide to future performance. The value of investments and the income from them can fall as well as rise and is not guaranteed. You may not get back the amount originally invested. Changes in the rates of exchange between currencies may cause the value of investments to diminish or increase. Levels and bases of taxation may change from time to time. Issued by BlackRock Investment Management (UK) Limited (authorised and regulated by the Financial Services Authority). Registered office: 33 King William Street, London, EC4R 9AS. Registered in England No. 2020394. Tel: 020 7743 3000. For your protection, telephone calls are usually recorded. BlackRock is a trading name of BlackRock Investment Management (UK) Limited. Issued in Switzerland by the representative office, BlackRock Investment Management (UK) Limited (London), Zurich Branch, Claridenstrasse 25, Postfach 2118 CH-8002 Zurich from where the Company's Prospectus, Simplified Prospectus, Articles of Association, Annual Report and Interim Report are available free of charge. Paying Agent in Switzerland is JPMorgan Chase Bank, National Association, Columbus, Zurich Branch Switzerland, Dreikönigstrasse 21, CH-8002 Zurich. In Singapore, this information is issued by BlackRock Investment Management (Singapore) Limited. The offer which is the subject of this information memorandum is not allowed to be made to the retail public. This information memorandum is not a prospectus as defined in the Securities and Futures Act. Accordingly statutory liability under that Act in relation to the content of prospectuses would not apply. You should consider carefully whether the investment is suitable for you. The views expressed herein are as of 03.02.09, and do not constitute investment or any other advice; the views are subject to change and do not necessarily reflect the views of BlackRock as a whole or any part thereof.

Recent economic data releases help to give some insight into the depth of the current economic downturn. The US reported that Q4 2008 GDP declined by just below 4% on an annualised basis - in the event, a slightly smaller decline than had been expected. Given that it appears that companies were not able to ramp back their production fast enough in response to weaker demand during Q4, we are likely to see very aggressive production cuts from here as companies struggle to get their inventory levels under control.

This suggests that we are likely to see at least one to two further quarters of declining US GDP growth. The truly awful GDP numbers have been coming out of Asia, where industrial production levels in Japan, South Korea and Taiwan appear to have declined by 25%-30% over the last year.

So are there any signs that things might be getting better? It seems as if Q4 2008 will prove the worst quarter for G7 GDP growth since the mid-1940s. We certainly can't see any firm signs of green shoots of recovery. We believe Q1 2009 is likely to prove another exceptionally weak quarter for the global economy, while Q2 is also likely to look pretty awful. We do think there's some scope for the headwinds to start diminishing as we progress through the year. But, even if the growth trend does reverse, any positive growth is likely to be very modest - and, indeed, could remain so for the next one to two years. It therefore seems likely that we are going to remain in a cyclically-challenged world for some time.

Nevertheless, there are some very tentative signs that Q1 2009 might not prove quite as difficult as Q4 2008. Business confidence levels continue to run at incredibly depressed levels, but - in some cases - appear to be not quite as low in December-January as they were in November-December. In addition, we have recently seen some levelling off of cyclically-sensitive industrial metals prices.

From an asset allocation perspective, we continue to like investment grade credit. High yield looks interesting from a yield perspective, but there is still considerable uncertainty over potential default levels.

Equity markets appear to be in the process of bottoming-out, but we would caution that this may be a relatively long drawn-out process in which we again test previous lows.

From a long-term perspective, government bonds look expensive. But, on a tactical view, we do not believe they are mispriced in an environment of zero short-term rates, negligible inflation and collapsing GDP.