

# BlackRock Global Funds - Global Allocation A2 EUR

**Morningstar Category Benchmark**  
Cat 50%BarCap USD Agg&50%FTSE World

## Morningstar Qualitative Rating™



► **Elite**  
Superior  
Standard  
Inferior  
Impaired

## Mark Laidlaw

Morningstar Analyst

## Executive Summary

**People:** This fund boasts highly experienced, skilled management.

**Parent:** BlackRock is a high quality firm that does well by fund investors in most, but not all, respects.

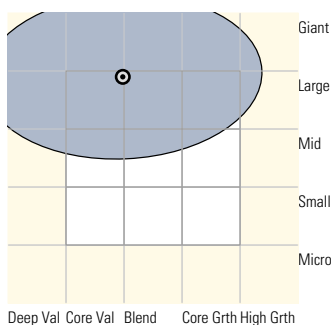
**Process:** We like this fund's disciplined process and diversified approach.

**Performance:** The fund has been a consistent performer delivering returns in line with global equities but with only two-thirds of the volatility.

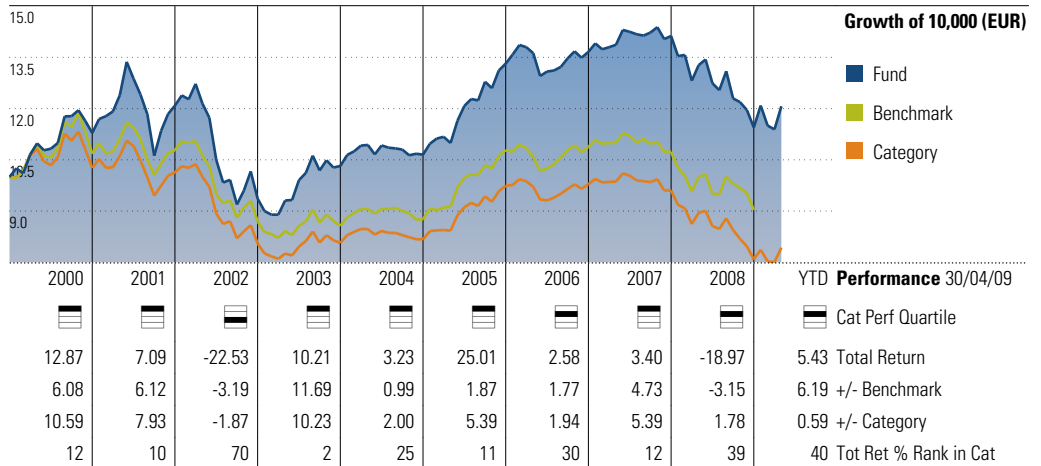
**Price:** The fund is slightly cheaper than its category median.

**Role in Portfolio:** Core. This fund is the definition of a core holding: offering diversified exposure to global bonds and equities with relatively low volatility. The fund does offer some fully hedged classes, however, and these will lose the benefit of currency diversification.

## Morningstar Style Box: Ownership Zone



● Centroid = weighted average of stock holdings  
● Zone = 75% of fund's stock holdings  
(as of 31/01/09)



## Morningstar Opinion

18 May 2009 | BlackRock Global Allocation tackles a difficult task with considerable aplomb.

Dennis Stattman has been piloting this Luxembourg domiciled fund since its inception back in 1997, and has been involved right back to the launch of the US domiciled version in 1989. Over the last 20 years he has developed a pedigree that we feel is unmatched amongst his peers. Just as importantly, the team supporting Stattman is impressive in its own right. Co-managers Dan Chamby and Aldo Roldan provide suitable back-up to Stattman. More than half of the team have been in place since the fund's European launch in 1997.

The approach utilises a combination of bottom-up and top-down research to assess the attractiveness of asset classes, sectors, securities and currencies. The top-down strategy determines the preferred risk-return trade-off, while the fundamental work evaluates at the individual security level. The stock-picking has a value bias with Enterprise Value to EBITDA the favoured metric. The same internal benchmark has been in place since inception - 60% equities/40% fixed interest and 60% US/40% non-US assets. However, the fund will typically hold assets across the investment spectrum including emerging markets stocks and bonds, sovereign debt and most things in between. Risk awareness is paramount in portfolio positioning; an example would be buying UK gilts and

offsetting with position with Swiss francs and US dollars as the team likes UK sovereign bonds but doesn't want exposure to sterling.

At the end of February 2009, the portfolio was underweight both fixed interest and equities with a higher than normal allocation to cash. One area that has piqued the team's appetite lately has been convertible bonds. BlackRock believes certain assets here are attractively valued on the back of a rough time in 2008, with prices almost allowing a free equity option on a number of issues. The sector was beaten up particularly hard last year; liquidity virtually dried up, resulting in fire-sale prices of certain assets and this provided a perfect opportunity for the team to take advantage. The team is still wary of liquidity and is moving cautiously in this space.

The team won't get all of its asset calls right, but its track record suggests they can lay claim to a skill in this field as opposed to luck. Indeed, the fund has consistently outperformed in both strong markets and downturns, the hallmark of a good allocation process. Through the life of the fund (early 1997 to March 2009) Stattman and the team have managed an annualised return of 5.41%, beating both global equities and its Morningstar Category (1.34% and 2.38% respectively).

The calibre of this fund's team, the quality of research, strength of parent, reasonableness of fees, and proven long-term results earn this fund our highest rating: Elite.

Morningstar Category™	Dollar Moderate Balanced
Manager's Benchmark	36% S&P 500 Composite, 24% 5 ys Treasury Notes, 24% FT/S&P Act World (ex US), 16% SSB Non US Debt
Inception Date	03/01/1997
12 Month Yield %	0.00

ISIN	LU0171283459
Domicile	Luxembourg
Legal Status/UCITS	SICAV
Base Currency	EUR
Total Net Assets	USD 10774.21 Mil

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Manager	Dennis Stattman
Manager Start	January 1997
Avg Years Experience (Manager)	29.0
Longest Tenure	12.25

Number of Analysts	11 senior members + 6 research associates
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### Management Company

Total Assets Under Mgt	US 1.30 Tri
Total Assets in Strategy	US 36.0 Bil

No Holdings (Range)	Around 600
Max Position Size	Usually not greater than 1.5%
Expd Turnover	Not specifically targeted, typically 40-60% per annum
Sector Constraints	Residual of stock selection
Regional Constraints	Internal benchmark - 60% US & 40% non-US
Yield Requirement	None
Tactical Use of Cash	Yes
Hedging Policy	Selectively Hedged
Manager's Benchmark	36% S&P 500 Composite, 24% 5 ys Treasury Notes, 24% FT/S&P Act World (ex US), 16% SSB Non US Debt

## People

BlackRock Global Allocation can lay claim to one of the deepest and most experienced investment teams in its field, led by industry veteran Dennis Stattman. Stattman has been manager of the fund for almost 20 years - the US-domiciled version of the fund launched in 1989 and the Luxembourg version started in 1997. Stattman has been the lead manager on the fund since 2002, when then co-manager Brian Ison retired. Experienced back-up is provided by associate portfolio managers Dan Chamby and Aldo Roldan, who took on their roles in 2004 and

2006; the latter joined after the MLIM/BlackRock merger. The team also boasts eight senior analysts who are responsible for stock and sector selection. Ben Moyer provides guidance on Asian equities and long-time London-based staffer James Macmillan provides input for European stocks. One of the team's hallmarks has been the limited amount of turnover: over half have been onboard since before the launch of the Luxembourg fund. We're also fans of managers who invest in their funds and for that reason we commend the fact that Stattman has personally committed a significant amount to the US mutual fund, showing a clear alignment with investors.

## Parent

BlackRock, Inc is an independent firm providing investment management, risk management and advisory services. The firm has historically targeted institutional investors, but it has recently permeated the retail market, particularly through its acquisition of Merrill Lynch Investment managers in 2006. The merger strengthened its reputation on the equity front and it became one of the biggest asset managers globally with assets under management standing at \$1.26 trillion. We're glad to see BlackRock's reach to investors through its fairly detailed shareholder reports and fund and market commentaries. We also like its incentive structure which inhibits

short-term performance chasing. Senior portfolio managers' bonuses are based on 1, 3 and 5-year performance, contrary to the common industry practice of focusing on 12-month returns. Additionally, analysts are rewarded based on the success of the contribution to managers' portfolios. This structure encourages analysts to communicate their investment ideas effectively. BlackRock invests considerably in risk management solutions, given its risk conscious approach to investing. While this promotes a greater consistency of returns, limiting outsized bets makes it more difficult for managers of funds with hefty fees to outperform. Although we like this approach, we'd like it more if fees dropped.

## Process: Investment Approach

Stattman and the team employ a blend of top-down and bottom-up analysis, the macroeconomic factors mostly informing asset allocations and currency positioning. The fund has a neutral asset allocation of 60% equities, 40% fixed interest, with the same split between US and non-US names. The team's go-anywhere approach looks at assets from a risk-reward perspective and the investible universe includes but is not limited to emerging markets stocks and bonds, corporate credit, convertible bonds, Treasury Inflation Protected Securities and sovereign bonds.

Stattman has ultimate discretion over asset allocation. Co-PM Dan Chamby also contributes to the macro view, as does BlackRock's Central Strategy Group, on which Stattman sits. After asset allocation is set, sector specialists pick US stocks and bonds, and others pick stocks within Asia and Europe. A value bias informs stockpicking, Enterprise Value to EBITDA being the favoured metric. The portfolio typically holds more than 600 positions and only a handful are greater than 1% of the portfolio. The managers can and do take currency bets, although fully hedged classes are available in various currencies. There is also limited use of derivatives, typically to hedge positions.

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Value Measures	Fund	Rel Cat
Price/Earnings	7.78	0.69
Price/Sales	0.66	0.93
Price/Book	1.13	0.82
Price/Cash Flow	4.54	0.94
Dividend Yield %	3.78	0.98

Growth Measures	Fund	Rel Cat
Long-Term Earnings	10.99	1.04
Historical Earnings	8.66	2.16
Sales	9.63	1.06
Cash Flow	10.62	0.94
Book Value	2.98	0.90

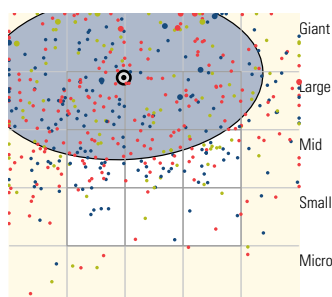
Average Market Cap EUR 20650.28 Mil

## Process: Portfolio Positioning

At the end of February 2009 the portfolio had a 15% allocation to cash, 52% in equities and 33% in fixed interest. This positioning is driven by the team's views on the risk-reward potential offered by each asset class at this point in time. Within the equity sleeve of the portfolio, the team sees better prospects in Asia and Latin America and in sectors like materials, telecoms and energy. BlackRock believes there are fewer structural problems facing emerging markets compared with the developed world in the current environment - an example here is Petrobras. Europe and the US look less attractive.

According to Stattman, fundamental problems remain in the banking sector - more so in continental Europe - and their economies can't truly begin the path to recovery until these are fully resolved. The fixed interest component is driven by significant positions in Treasury Inflation Protected Securities and convertible bonds. The team sees convertible bonds as offering fantastic potential. The asset class was sold off heavily last year as liquidity dried up, causing a number of convertible arbitrage managers to implode. According to the team they offer fantastic return potential and they are essentially getting the equity option for zero. Liquidity in the asset class is still an issue and this is an area to which the team pays close attention.

Morningstar Holdings Based Style Map



Deep Val Core Val Blend Core Grth High Grth

● Centroid = weighted average of stock holdings  
● Zone = 75% of fund's stock holdings (as of 31/01/09)

World Regions	% Equity
Greater Europe	10.98
Americas	61.95
Greater Asia	27.07

Top 5 Countries	% Equity
United States	54.10
Japan	17.17
Canada	4.70
United Kingdom	3.29
Brazil	2.49

Market Maturity	% Equity
Developed Markets	92.22
Emerging Markets	7.78
Not Classified	0.00

Asset Allocation	% Assets	long %	short %	net %
Stocks	53.07	0.78	52.29	
Bonds	22.48	0.00	22.48	
Cash	15.49	0.06	15.44	
Other	10.48	0.69	9.79	

Top Holdings	% Assets 31-01-09
US Treasury Note 2.375% 2011-04-15	3.03
US Treasury Note 2016-01-15	2.02
SPDR Gold Shares	2.01
US Treasury Note 2.5%	1.69
Japan(Govt Of) 0.8096% 2016-03-10	1.27
ExxonMobil Corporation	1.17
Germany(Fed Rep) 4% 2016-07-04	1.10
Bristol-Myers Squibb Company	1.06
United Kingdom Of Great Britain An...	1.01
AT&T, Inc.	0.93
Johnson & Johnson	0.88
SWAP	0.86
Microsoft Corporation	0.85
Chevron Corporation	0.82
US Treasury Note 0.875% 2010-04-15	0.81
Brazilian Petroleum Corporation	0.71
Kinross Gold Corporation	0.70
Verizon Communications Inc.	0.66
Takeda Pharmaceutical Co., Ltd.	0.60
Burlington Northern Santa Fe Corpo...	0.58
Total Equity/Bond Holdings	532/102
Assets in Top 10 Holdings %	15.30

Credit Quality	Effective Duration	3.19
High	Effective Maturity	-
Med	Avg Credit Quality	AA
Low	Avg Wtd Coupon	3.22
	Avg Wtd Price	91.93

Credit Rating Breakdown	%	Maturity Breakdown	%
AAA	46.34	1 to 3	45.41
AA	15.10	3 to 5	3.88
A	11.42	5 to 7	17.93
BBB	15.52	7 to 10	28.13
BB	5.59	10 to 15	0.14
B and below	6.03	15 to 20	1.86
Not Rated	0.00	20 to 30	2.37
		Over 30	0.28

Sector Weightings	% Equity	Rel Cat
<b>Information</b>	<b>19.57</b>	<b>1.00</b>
Software	2.31	0.83
Hardware	5.83	0.90
Media	1.73	0.80
Telecommunications	9.71	1.21
<b>Service</b>	<b>37.41</b>	<b>0.93</b>
Healthcare	15.24	1.05
Consumer Services	1.97	0.49
Business Services	6.64	1.03
Financial Services	13.56	0.88
<b>Manufacturing</b>	<b>43.02</b>	<b>1.07</b>
Consumer Goods	9.07	0.97
Industrial Materials	16.20	1.15
Energy	14.64	1.14
Utilities	3.10	0.78

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Trailing (EUR)	Total Rtn %	+/- Bmark	+/- Cat	%Rnk in Cat
3 Mo	-0.17	0.59	-0.81	64
6 Mo	-1.00	7.52	0.96	26
1 Yr	-9.07	-2.71	1.82	41
3 Yr Annualised	-3.95	2.19	2.88	23
5 Yr Annualised	1.99	2.20	3.06	9
10 Yr Annualised	3.46	2.85	3.53	6

MPT Stats	3 Yr	Rel Cat	5 Yr	Rel Cat
R-Squared	89.08	1.10	86.34	1.10
Beta	1.04	1.01	1.08	1.06
Alpha	-0.28	0.09	1.08	-0.56

Volatility & Risk Adj Returns	3 Yr	Rel Cat	5 Yr	Rel Cat
Std Deviation	10.44	0.91	9.58	0.94
Mean	-0.29	0.54	0.20	-4.00
Sharpe Ratio	-0.69	0.78	-0.07	0.19
Information Ratio	-0.14	0.20	0.25	-0.52
Treynor Ratio	-5.38	0.62	0.83	-0.16

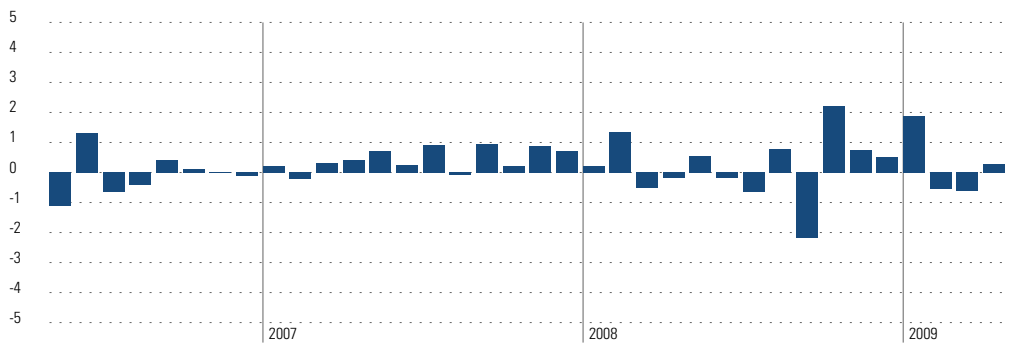
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## Performance Analysis

BlackRock Global Allocation has been one of the few funds that has actually lived up to and matched its performance objectives over the long term. The fund targets returns in line with global equities but with only two-thirds of the volatility. From its inception in early 1997 through to March 2009, the fund has an annualised return of 5.41 compared with 0.46% for the MSCI World Index. The fund also stacks up favourably when compared with its Morningstar Category average return of 2.38%.

Performance on the US mutual fund, which stretches back to 1989, is just as impressive. Illustrating the consistency of the fund, during this decade 2002 is the only calendar year in which it did not sit in the top two quartiles. The fund has shown an admirable ability to deliver in all market conditions, shown by a downside capture of 88.87% and an upside capture ratio of 113.74. This means that Global Allocation is able to minimise losses compared with the market while at the same time managing to outpace its peers in up markets.

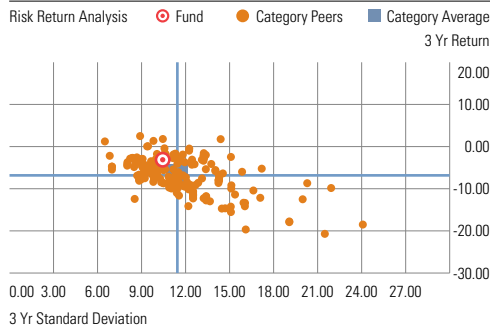
Monthly Return vs Morningstar Category (EUR)



## Risk & Return

BlackRock Global Allocation holds assets across the spectrum from sovereign bonds to emerging markets equities and most things in between at any given time. To ensure diversification it's unusual to see individual positions greater than 1.5% and the fund usually holds

around 600 names. The fund has typically had a higher level of volatility compared with its Morningstar Category average; this is to be expected because the asset allocation for the category is 50/50 between equity and fixed interest, whereas Global Allocation has a neutral position of 60/40 equity to fixed interest.



Morningstar Rating™ (Rel Cat)	Morningstar Return	Morningstar Risk	Morningstar Rating
3 Year	Abv avg	Avg	★★★★
5 Year	Abv avg	Avg	★★★★
10 Year	High	Avg	★★★★★
Overall	High	Avg	★★★★★

## Price

The fund has a TER of 1.76, which is slightly cheaper than the category median.

Initial Sales Charge %	5.00
Max. Annual Management Fee %	1.50
Total Expense Ratio %	1.76