

Extended Commentary

BLACKROCK GLOBAL FUNDS (BGF)
BGF European Growth Fund

Fund Manager: Michael Constantis

Market & Portfolio Performance

The BGF European Growth Fund returned -16.76% during the quarter, underperforming the MSCI Europe Growth benchmark, which returned -15.16%, and the Morningstar Large Cap Europe Growth peer group, which returned -14.90%.

The market sell-off over the summer was triggered by a combination of factors, including the US sovereign debt downgrade by S&P and a continuation of the crisis of confidence in the euro project. More recently downgrades to global growth (as reflected in a number of regional and global leading indicators), combined with the deep-rooted sovereign debt issues within the Eurozone, sent European equities lower during September. Despite some positive news such as the US "Operation Twist" to stimulate the economy and the German approval of the expansion of the European Financial Stability Facility's scale and scope, Europe remains in the grasp of sovereign debt woes and Eurozone governments seem slow to find a long-lasting solution.

The Fund's underperformance during the quarter was primarily caused by positions in the healthcare and IT sectors. Within healthcare, a holding in Bayer underperformed as the efficacy of their drug Xarelto was challenged, causing concerns over the future growth potential of the company. In addition, an underweight position in Roche detracted as the stock outperformed during the quarter.

Selected positions in 'cyclical' industrial companies also underperformed, suffering from the downgrades to expectations in the industrial cycle. This included positions in Finnish crane company Konecranes and Swedish ball bearing name SKF. Within the consumer discretionary sector, holdings in luxury goods name Swatch and auto supplier Continental both underperformed. The Fund's overweight position in the industrials sector also contributed to underperformance at a sector level.

On a more positive note, a number of more 'defensive' companies with stable growth prospects performed well. This included positions in Spirax-Sarco and Rotork. The Fund's holdings in Media companies Eutelsat and Kabel Deutschland also performed, as did holdings in growth compounders Imperial Tobacco

and Swedish Match. We believe that Imperial Tobacco offers relatively high, sustainable growth rate on an attractive valuation at present.

Transactions & Portfolio Activity

Key transactions during the quarter included a reduction of the underweight position in financials through the purchase of Lloyds and a small position in HSBC. The Fund reduced its exposure to the consumer discretionary sector, selling auto supplier Continental and luxury goods name Burberry. The Fund also added a position in software company SAP and in Fresenius Medical Care in the healthcare sector.


Market Outlook

The sovereign debt crisis in Europe continues to dominate the headlines and it is becoming increasingly apparent that the global economic recovery is now stalling. Austerity measures within Europe will continue to bite and we believe that the divergence in economic fortunes between northern and southern Europe is set to continue for some time as indebted countries aim to resolve their economic imbalances. The outlook for corporate earnings is deteriorating and we expect some downgrades to come through in the Q3 earnings season, especially in areas where earnings expectations remain inflated. Following the significant market declines in Q3, European equities are now trading at very cheap valuations but decisive political leadership is crucial to unlocking this value. We remain of the view that the European equity universe offers some of the best businesses in the world and we are being vigilant in identifying some of those which represent attractive buying opportunities during this period of risk aversion.

Contact us

+44 (0)20 7743 3000

www.blackrockinternational.com



Performance shown as at 30 September 2011 in EUR on a NAV price basis with income reinvested. Performance figures are calculated net of annual fees. Fund benchmark: MSCI Europe Growth Net. Data sourced from BlackRock Datastream. This material is for distribution to Professional Clients and should not be relied upon by any other persons. All financial investments involve an element of risk. Therefore, the value of your investment and the income from it will vary and your initial investment amount cannot be guaranteed. Past performance is not a guide to future performance and should not be the sole factor of consideration when selecting a product. The Fund invests a large portion of assets which are denominated in other currencies; hence changes in the relevant exchange rate will affect the value of the investment. Reference to the names of each company mentioned in this communications is merely for explaining the investment strategy, and should not be construed as investment advice or investment recommendation of those companies. BlackRock Global Funds (BGF) is an open-ended investment company established in Luxembourg which is available for sale in certain jurisdictions only. BGF is not available for sale in the U.S. or to U.S. persons. Product information concerning BGF should not be published in the U.S. It is recognised under Section 264 of the Financial Services and Markets Act 2000. BlackRock Investment Management (UK) Limited is the UK distributor of BGF. Most of the protections provided by the UK regulatory system, and the compensation under the Financial Services Compensation Scheme, will not be available. A limited range of BGF sub-funds have a reporting fund status A sterling share class that seeks to comply with UK Reporting Fund Status requirements. Subscriptions in BGF are valid only if made on the basis of the current Prospectus, the most recent financial reports and the Simplified Prospectus which are available on our website. Prospectuses, Simplified Prospectuses and application forms may not be available to investors in certain jurisdictions where the Fund in question has not been authorised. Issued by BlackRock Investment Management (UK) Limited (authorised and regulated by the Financial Services Authority). Registered office: 12 Throgmorton Avenue London EC2N 2DL. 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 Asset Management Switzerland Limited Claridenstrasse 25, PO Box 2118, CH-8022 Zurich, Switzerland, 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. Issued in Hong Kong by BlackRock (Hong Kong) Limited In Singapore, this information is issued by BlackRock (Singapore) Limited. The Fund is only available to institutional and accredited investors as permitted under the Singapore Securities and Futures Act and not to the retail public in Singapore. This factsheet is for information purposes only and does not constitute an offer of shares in the Fund in Singapore. For your protection, telephone calls are usually recorded. This is for distribution to Professional Intermediaries only. This material is for information purposes only and does not constitute an offer of shares in any of the BlackRock Global Funds. You should consider carefully whether the investment is suitable for you. BGF has been registered on the official list of the Financial Supervision Commission (Komisja Nadzoru Finansowego) for distribution in Poland. Issued in Poland by the representative office BlackRock Investment Management (UK) Limited, Oddzia w Polsce. Paying agent in Poland is Bank Handlowy w Warszawie SA, ul. Senatorska 16, 00-950 Warsaw, Poland.

Contact us

+44 (0)20 7743 3000

www.blackrockinternational.com