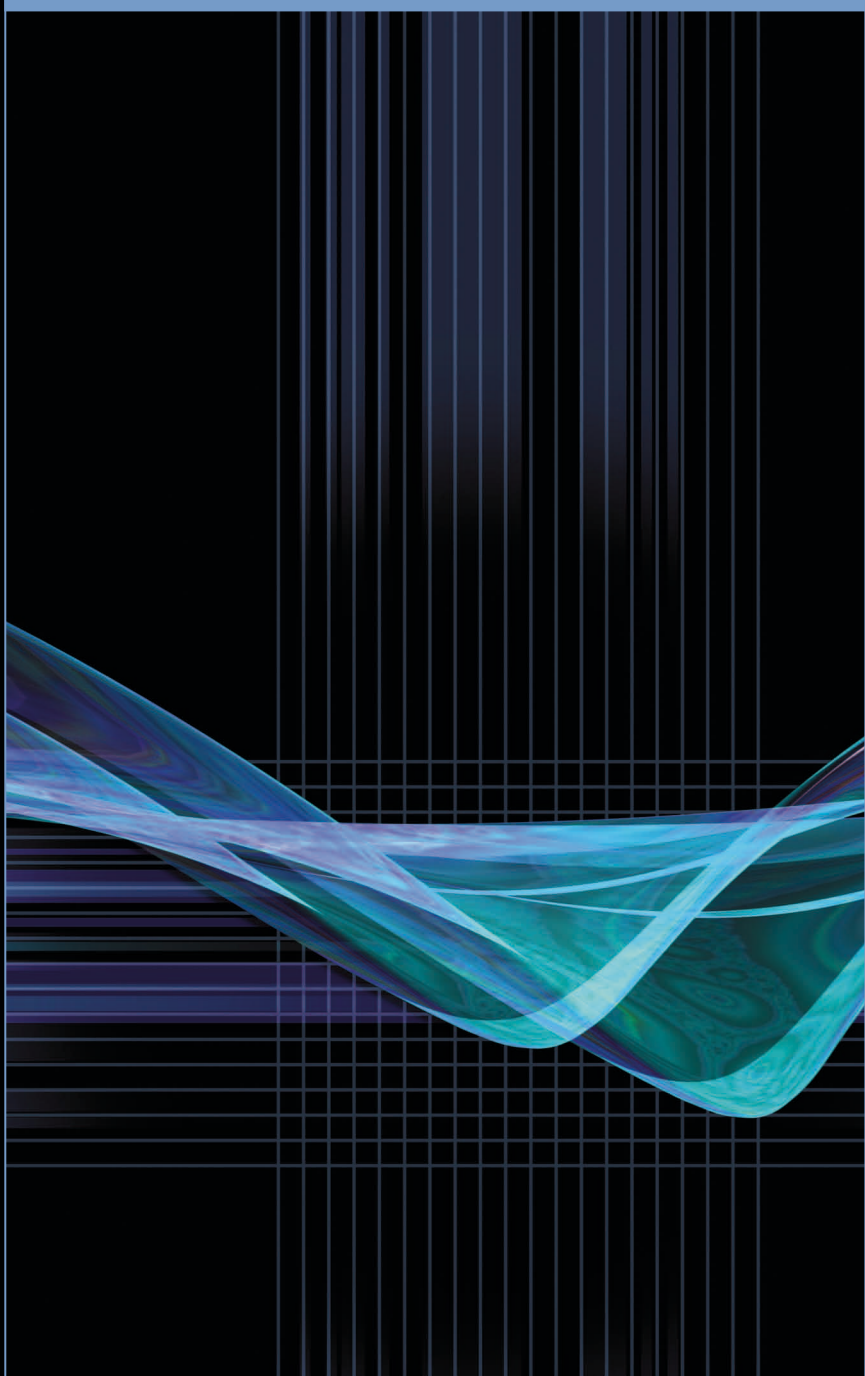


Global Sector & Style Analysis  
Report  
May 2010



**BLACKROCK**

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# Sector & Style Strategy Overview

## Recent sector trends

- Equity markets finished the month unchanged with cyclical sectors outperforming defensives. Consumer Discretionary, Energy and Industrials were the best performers while Health Care and Telecoms struggled. Worries about a sovereign debt crisis in Europe led to weakness in the Financials in the second half of the month.
- Companies in the US and Europe reported strong quarterly earnings. Earnings upgrades continued to be most supportive for cyclical sectors with many companies also providing a more upbeat guidance for the rest of the year. Most of the more defensive companies also reported earnings and revenues that beat analysts' expectations.

## Sector Strategy

- Recent data releases point towards a gradual recovery of economic growth in most developed countries. The Emerging Markets, however, have been experiencing stronger growth momentum which also raises the odds of policy tightening. We continue to believe that current preferences should be tilted towards more cyclically sensitive sectors.

## Recent style & size trends

- Small cap companies continued to outperform large cap stocks in April. This trend was particularly strong in the US market where small cap stocks outperformed by more than 4%. Since the March 2009 lows global small caps outperformed large caps by more than 13%. With regards to style performance, April was a good month for value stocks relative to growth sectors. Since the beginning of the year, value outperformed growth in all regions.

## Style Strategy

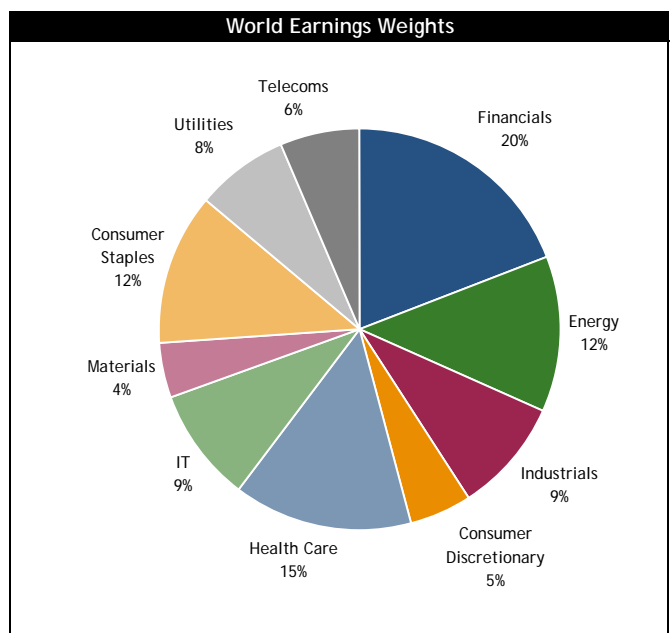
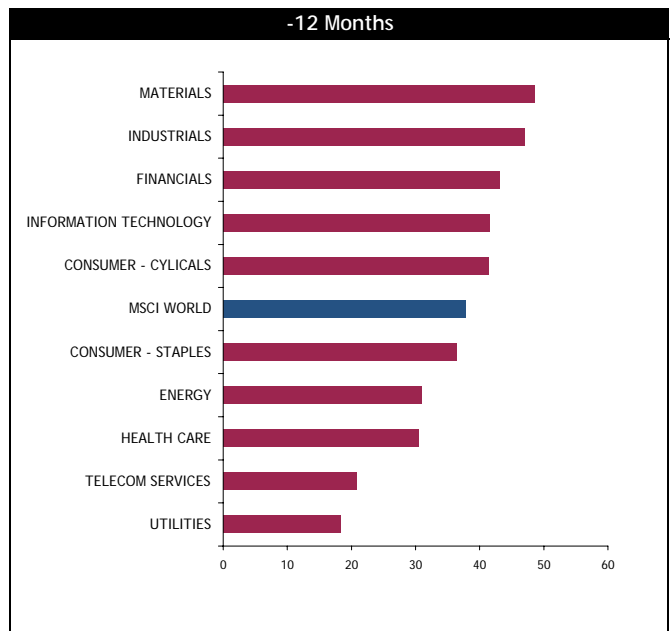
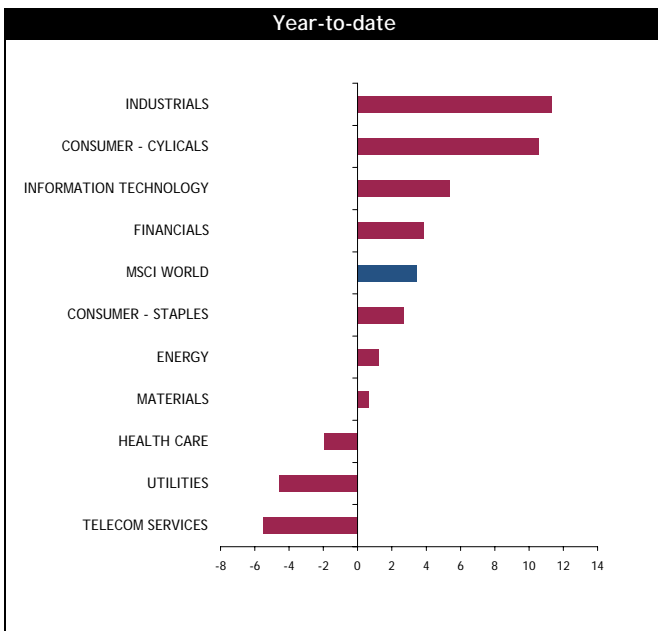
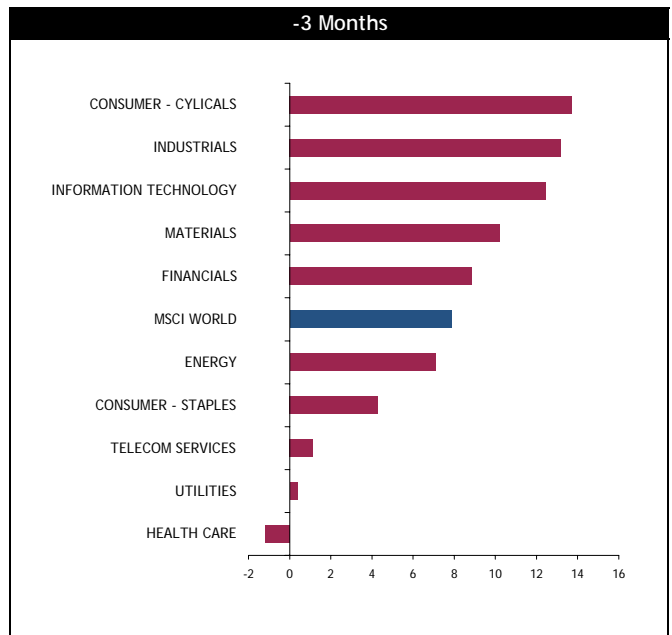
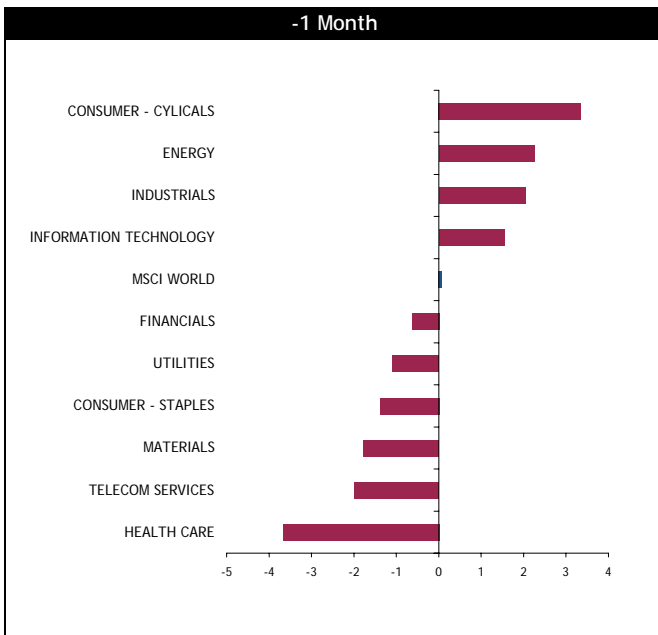
- Small cap and value styles tend to perform best in an environment of strong economic growth. We believe that a focus on stocks with high free-cash-flow yields and higher RoE could provide a good opportunity to protect investment portfolios against further potential setbacks in markets. We feel that growth stocks are in a better position to outperform in the medium-term as market focus on the potential for sectors to provide stable earnings growth.

## Stance Summary

Global Sectors		
Positive	Neutral	Negative
Materials	Telecoms	Consumer Discretionary
Information Technology	Utilities	Industrials
Healthcare/Pharmaceuticals	Financials	
Energy	Consumer Staples	

Note: The sector ratings reflect the views of the BlackRock Multi-Asset Client Solutions (BMACS) team.

# Global Sector Performance & Earnings



Returns as of 30 April 2010 (in \$, %)

Source: Thomson Datastream, MSCI, BlackRock

# Consumer Discretionary

## What has happened?

- The sector outperformed the global equity market by 4.1% last month and finished 3.2% higher in absolute terms on the month. We have seen strong outperformance of the sector following substantial earnings upgrades. Profits have been driven by positive top-line sales results, not just cost-cutting, indicating a stronger than expected US consumer.
- In general the US consumer has surprised the markets, shoppers are returning to stores, consumer credit is rising and the savings rate is starting to decline. High end stores and luxury goods have shown particularly strong growth, wealthy shoppers may be feeling richer as asset prices have increased individual net worth in recent weeks. Investors predicated a increase in homebuilding activities and this was reflected in home improvement related retail stocks.

## What are the macroeconomic drivers?

- Historically, Consumer Discretionary has been seen as a cyclical growth sector.
- Earnings levels show a strong correlation with consumer confidence and earnings growth with the labour market.
- Performance is heavily dependent on the path of US consumption, Durables and Autos in other regions still rely on the US for a large portion of sales and profits.
- Relative performance over the last five years has suffered from long-term declines within Autos and Media but until more recently has been helped by robust US consumer spending.

## Earnings Momentum

- Earnings momentum stayed positive with predications for next year's earnings increasing by 4% in the last 3 months. According to consensus expectations the sector's earnings are likely to expand by 65% in 2010.
- According to consensus expectations the sector's earnings are likely to expand by more than 48% in 2010 which is largely driven by the sharp fall in earnings over the past 18 months.

## Valuation

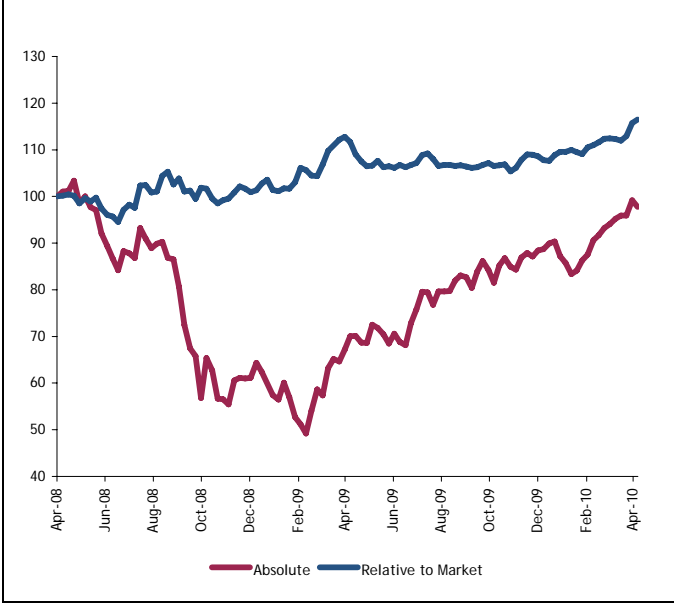
- Aggregate valuations have expanded over the past months, driven by a sharp fall in earnings in the previous 18 months. The Consumer Discretionary sector is currently trading at 16.2x 12 month forward earnings.

## Investment Outlook

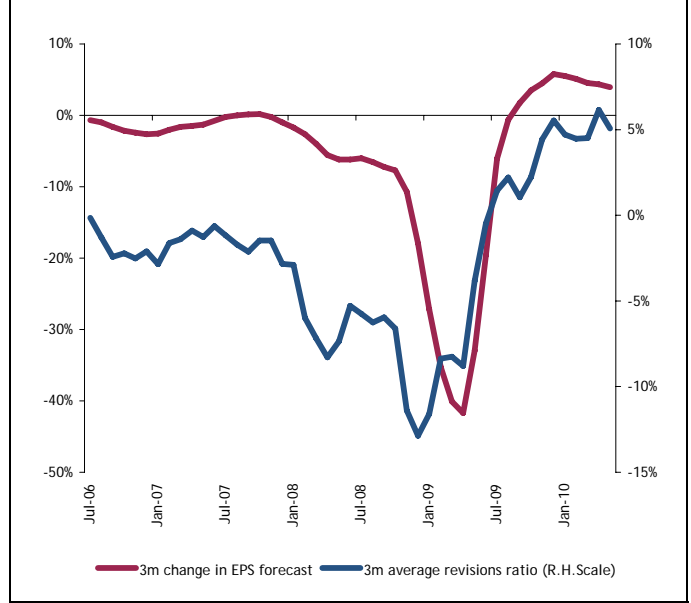
- Historically, the sector has managed to outperform in the early stages of a market recovery. Currently we feel that there are more compelling opportunities in cyclical sectors which are more exposed to corporate spending. It is difficult to see substantial further outperformance given longer-term trend of increasing savings rate, which would lead to below trend consumption growth in the medium term, and no substantial fall in unemployment expected. However currently the sector is displaying strong upwards momentum.
- The majority of companies in the Consumer Discretionary sector are heavily exposed to consumer spending in the developed world. However, it is worth highlighting that the sector has led the overall market in the Asia ex-Japan region. Many emerging Asian countries, notably China, stimulate domestic consumption in order to find a better balance between domestic demand and export-led growth. We believe that this represents a helpful structural trend for companies with greater exposure to these markets.

# Consumer Discretionary

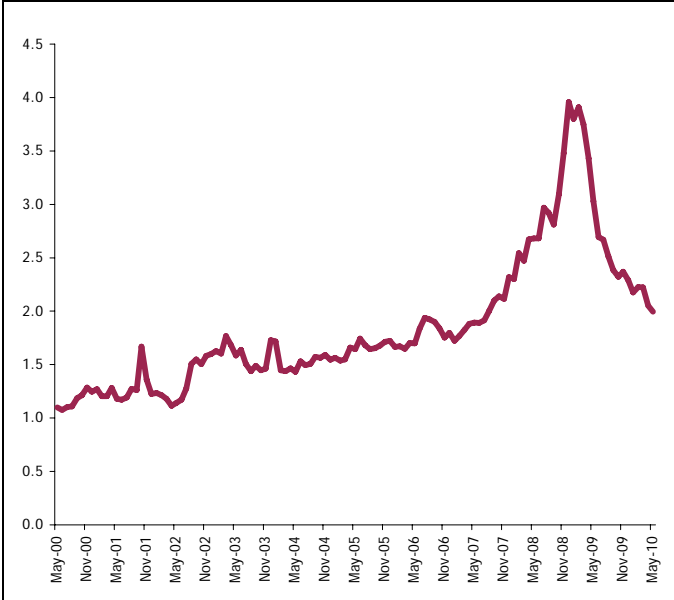
### Price Performance



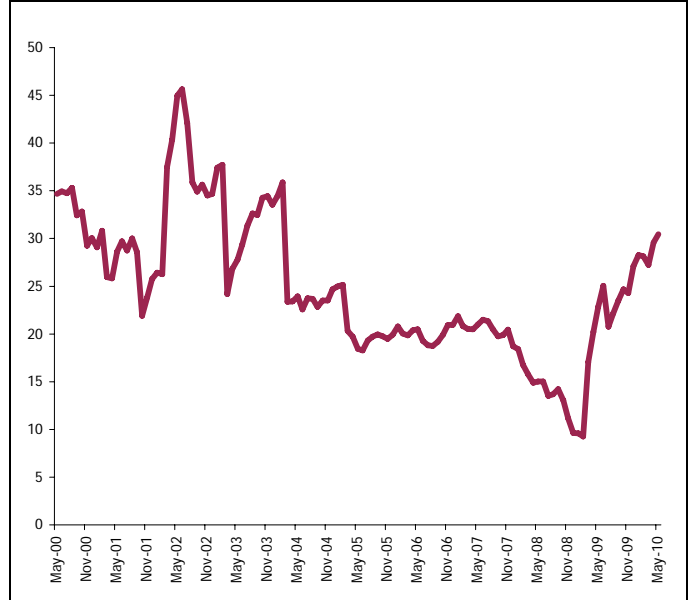
### Earnings Momentum



### Dividend Yield (%)

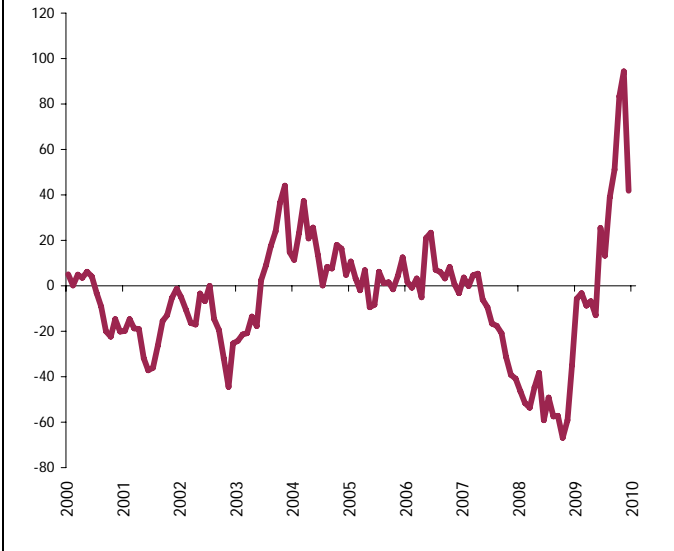


### PE Ratio

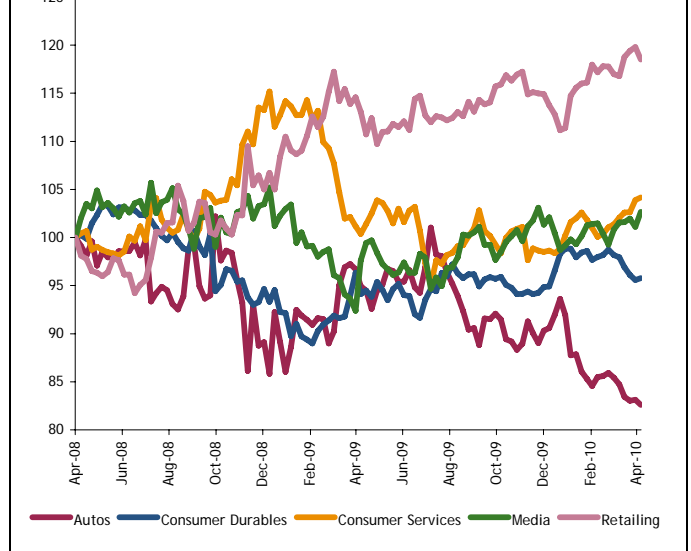


### Consumer Confidence

US, YoY % Change



### Industry Group Relative Performance



Source: Thomson Datastream, MSCI, BlackRock

## What has happened?

- Consumer Staples underperformed by 1.2% in April. The European consumer Staples companies particularly underperformed as sovereign debt fears led to fears of slower growth in Europe and a broad based sell off in European markets.
- Tobacco companies were hit by news of new regulation and taxes, particularly in Australia where the government announced a 25% tax rise. British American tobacco, which has a 46% market share in Australia, fell 9.9% this month. Reckitt Benckiser also put in weak performance after the firm's first quarter results missed expectations for organic growth, with the disappointment coming from Health & Personal Care. Health & Personal Care has a volatile sales growth profile which is susceptible to cold and flu conditions.

## What are the macroeconomic drivers?

- The defensive nature of Consumer Staples makes the sector a natural candidate for outperformance in times of economic recession and slowing economic growth.
- Despite increasing growth through investments in emerging markets, Consumer Staples remain a strongly defensive sector due to visibility of earnings and strong corporate balance sheets.
- The current period of strong sales growth for the sector can be attributed to rising incomes in emerging markets and increasing pricing power and consolidation in developed markets.

## Earnings Momentum

- Earnings momentum is still positive though off recent peaks, aggressive cost cutting and an improvement in economic activity is likely to boost earnings in the coming quarters.
- Earnings are expected to grow by more than 10% over the next 12 months. Earnings growth is expected to be strongest in Food Retail and Food and Beverage Producers where consumer spending trends have continued to surprise positively.

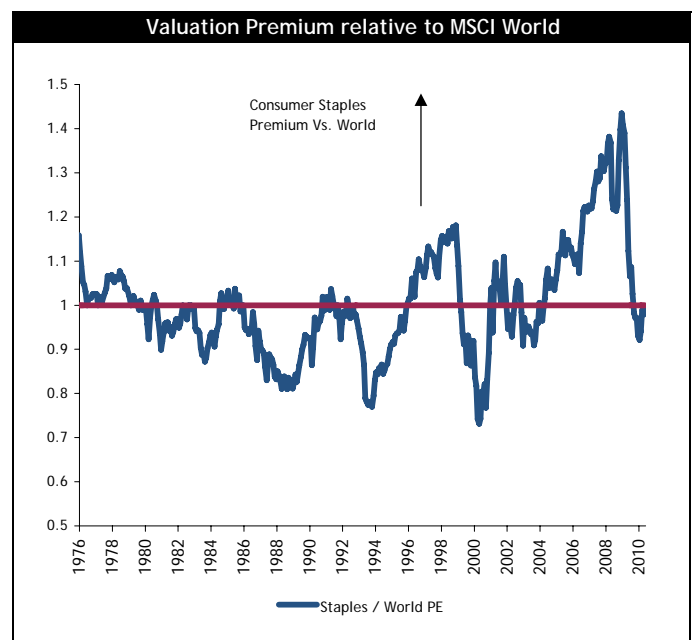
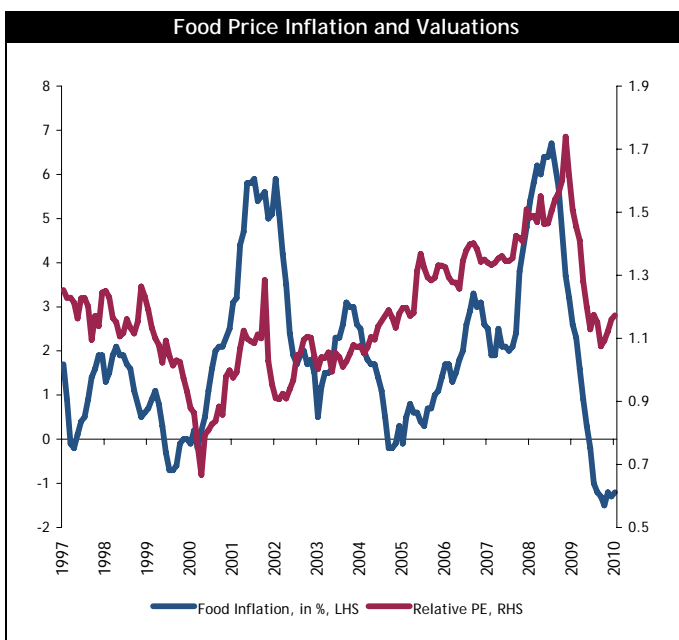
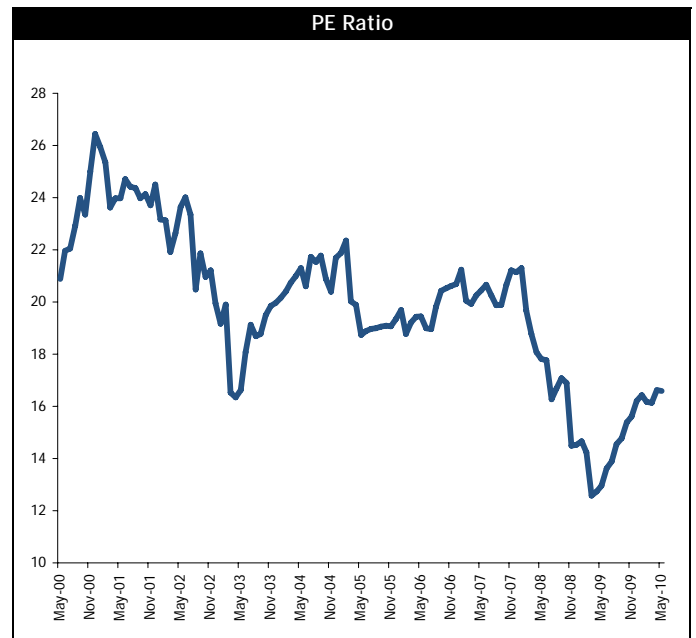
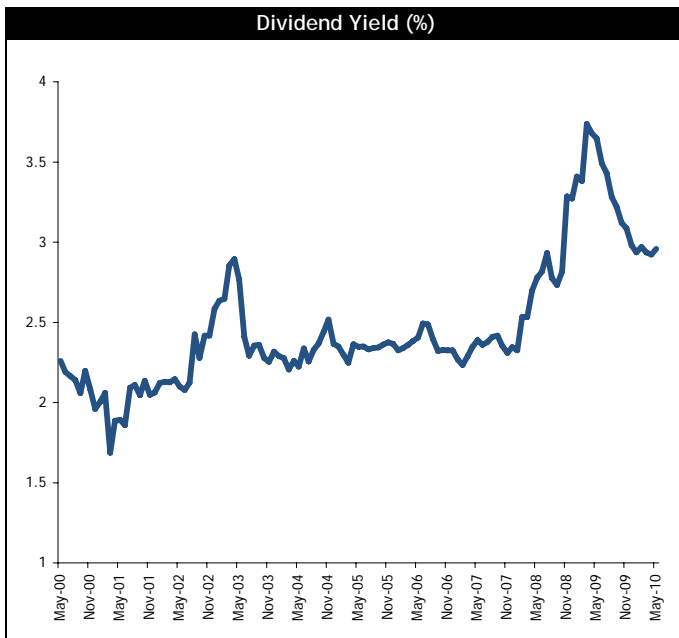
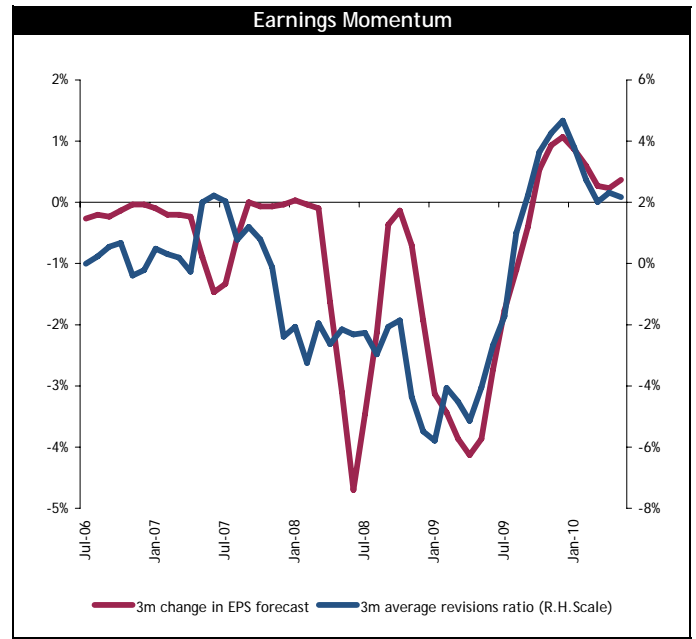
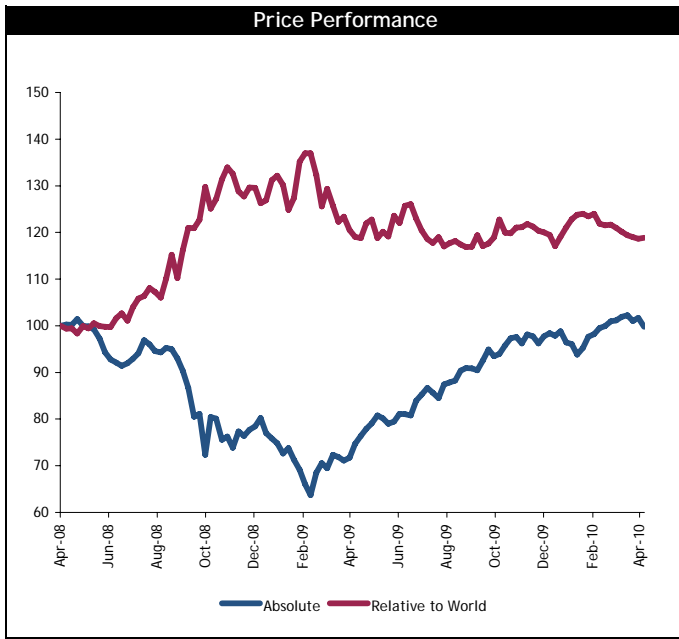
## Valuation

- The Consumer Staples sector has de-rated significantly in the last few months and has become more attractive compared to its own history and relative to the market.
- The sector is trading at 14.9x next year's earnings, which is in-line with the global equity market, while dividend yields above 2.69% are slightly above global averages.

## Investment Outlook

- We are neutral on the Consumer Staples sector as we feel that earnings growth expectations for 2010 look ambitious. Food Retailers, Household & Personal Goods and Food Manufacturers are expected to post double-digit earnings growth in 2010. Valuations relative to the market have become more attractive and the sector might outperform in an environment of deteriorating earnings momentum in more cyclical sectors.
- Significant cost-cutting efforts as well as declining input costs have helped the sector to maintain relatively high margins. However, it might become more difficult to extract savings out of the workforce for a second year in a row. Hence, gross margins could be impacted negatively if business conditions do not improve materially.

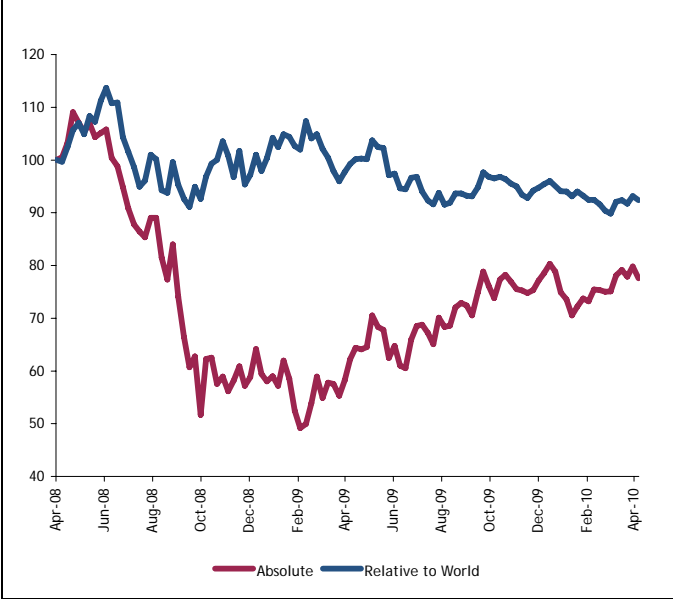
# Consumer Staples



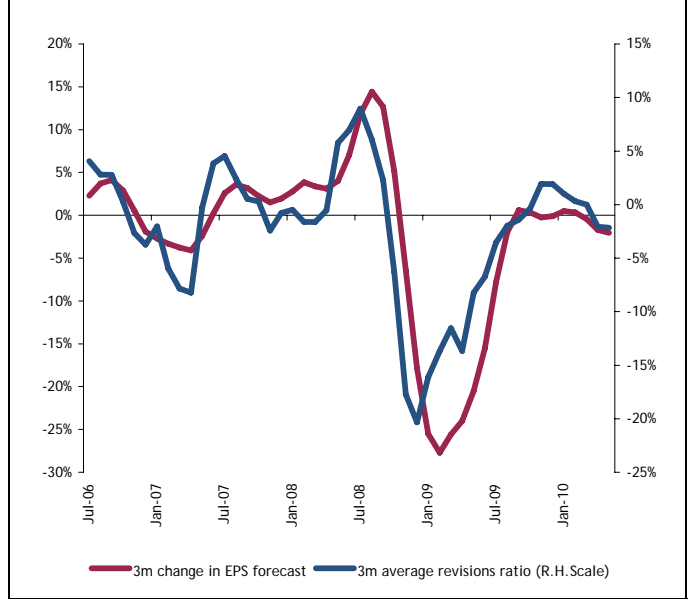
Source: Thomson Datastream, MSCI, BlackRock



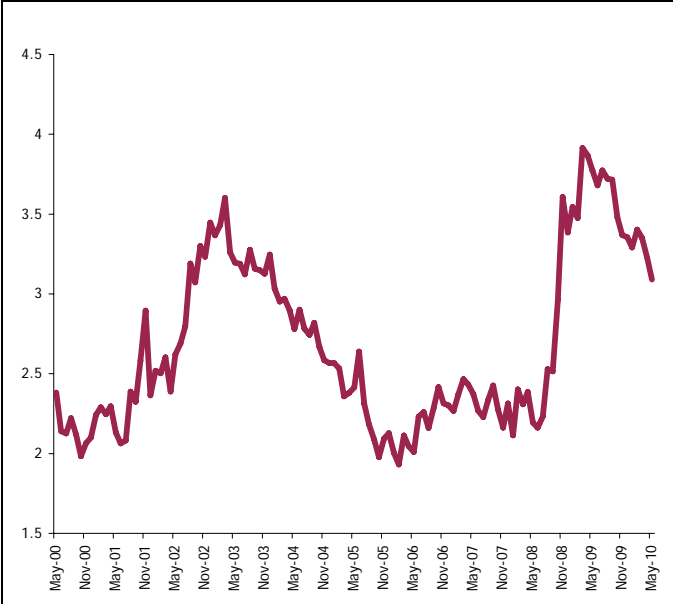
### Price Performance



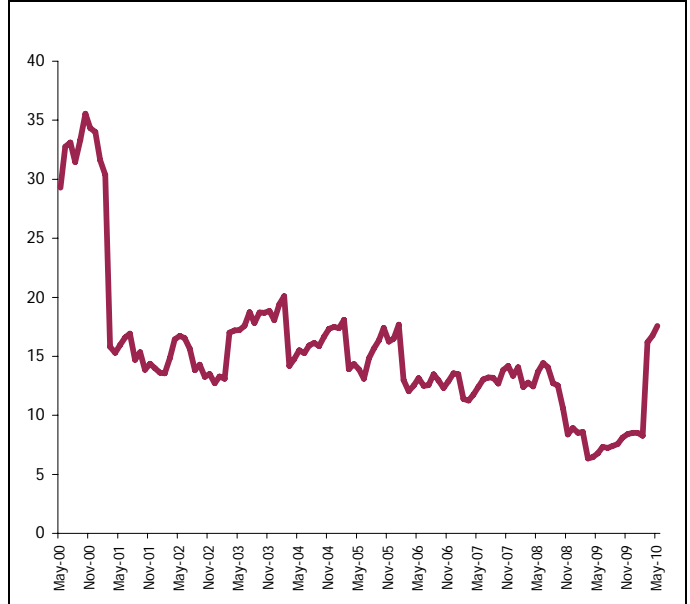
### Earnings Momentum



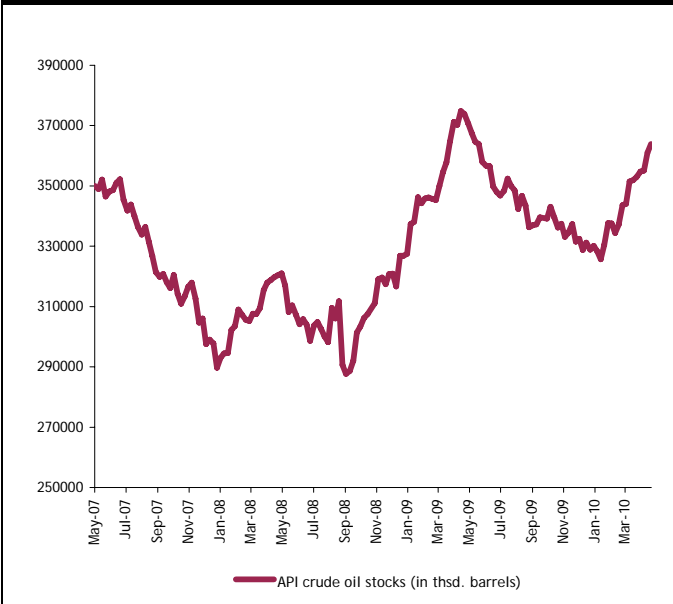
### Dividend Yield (%)



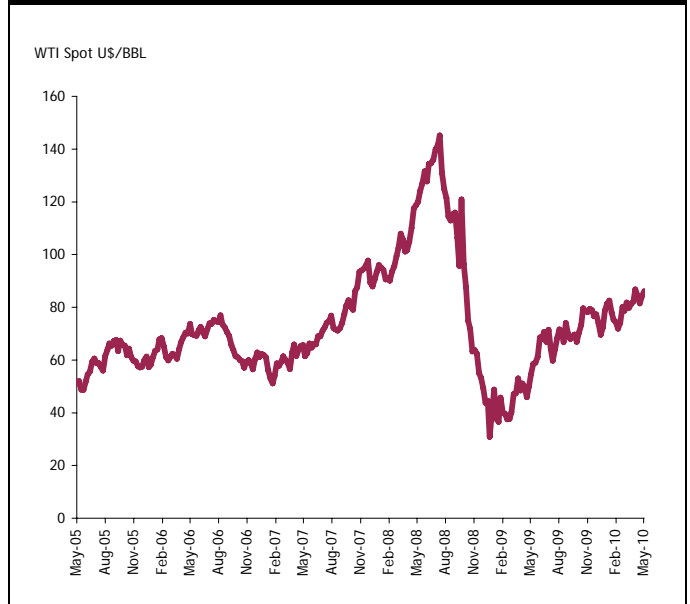
### PE Ratio



### Crude Oil Inventories



### Crude Oil Price



Source: Thomson Datastream, MSCI, BlackRock

## What has happened?

- Financials underperformed the broader market and finished 1% lower on the month. Regional banks in the US posted strong returns following encouraging earnings reports. European Banks, however, suffered significantly as problems in Eurozone peripheral bond markets had a negative impact on Spanish, Italian and Greek banks.
- In the US, the Fed Senior Loan Officer survey confirmed a stabilisation in both lending standards and loan demand. Across different loan types, a smaller fraction of lenders tightened standards and a few eased outright. Loan demand is nearing stability, although on net it is still shrinking for all types of loans. The clearest evidence of continued consolidation was in consumer loans, where a net 17.3% of respondents indicated demand was shrinking.

## What are the macroeconomic drivers?

- Financials tend to outperform in an environment of robust global economic growth as credit and deposit growth, investment banking revenues and investment performance tend to be pro-cyclical.
- Yield curves are often felt to be important to Financials as they affect net interest margins for banks. It is worth noting, though, that flat or inverted yield curves are most threatening when accompanied by weak growth (suggesting pressure on volumes as well as margins).

## Earnings Momentum

- Earnings revisions have been fairly stable recently and the sector is expected to show a rebound in profits of more than 45% in 2010. Earnings revisions remain weak in Japan and most positive in emerging economies.
- The main source of recent earnings surprises was based on a stabilisation in asset quality as well as a more favourable interest rate and trading environment.

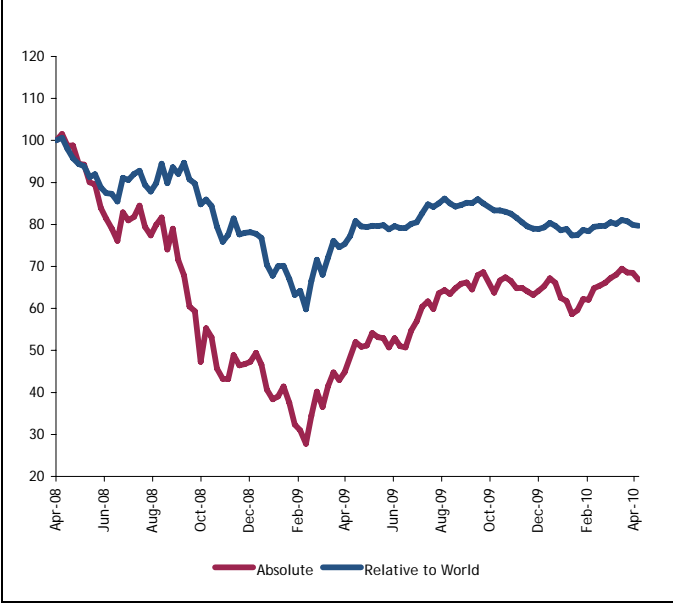
## Valuation

- It remains difficult to assess the valuation background of the sector on a short-term earnings basis. Assuming “normalised” earnings in 2011 the sector would trade at a multiple of 13x.
- On a price-to-book basis, valuations have improved to a great extent and the sector is now trading at 1.3x book value.

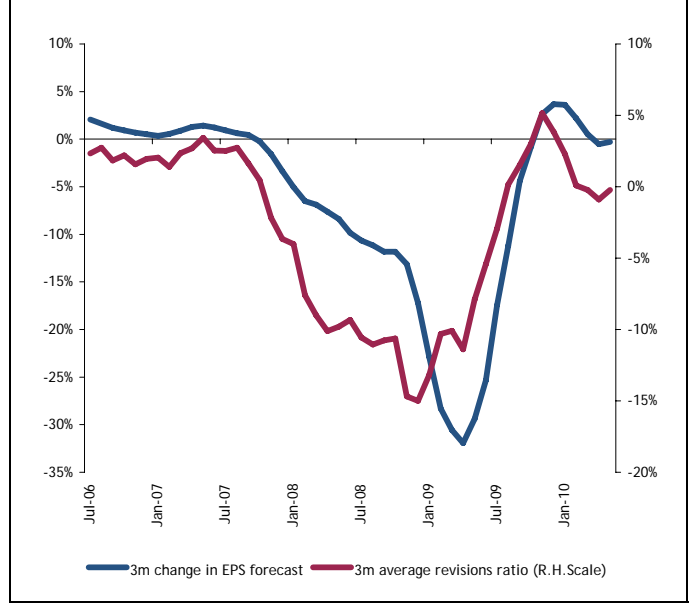
## Investment Outlook

- We remain neutral on the sector as we believe that regulatory changes as well as uncertainty around global policy tightening could weigh negatively on the sector’s valuations. As the improvement in the operating fundamentals becomes more visible we expect regional dispersion to remain high. We continue to be optimistic about the growth prospects of Financials in the emerging markets.
- Regulatory changes are likely to result in reduced risk and lower complexity in the banking system. Thus, secular earnings growth might be difficult to achieve and the few growth stories seem to be concentrated in asset gathering and emerging markets. Consolidation and cost cutting could act as a positive catalyst in the near-term but we believe that uncertainty over regulatory reform will delay this until later in the cycle than would otherwise be the case.

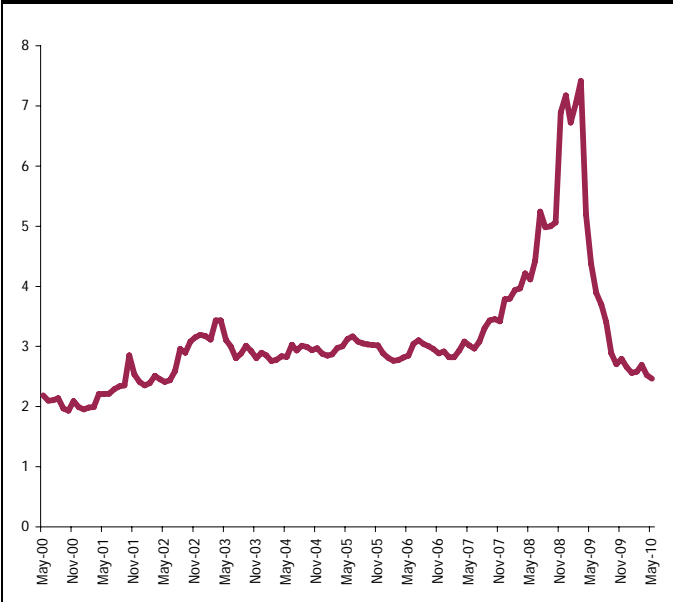
### Price Performance



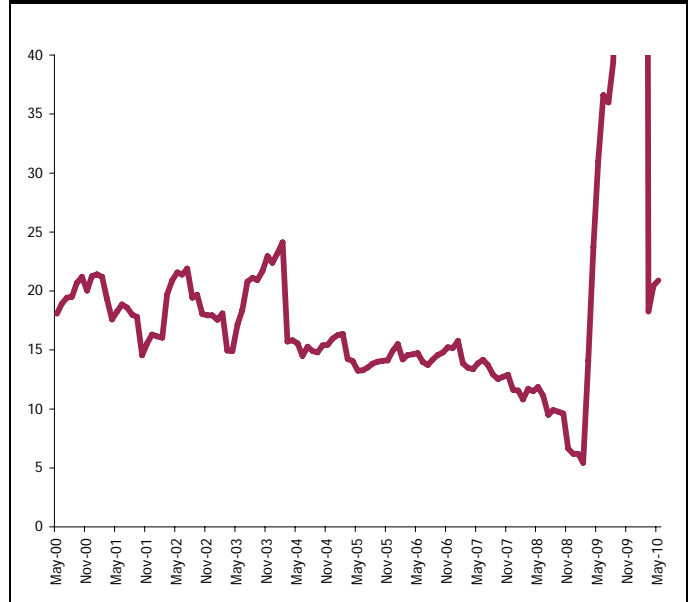
### Earnings Momentum



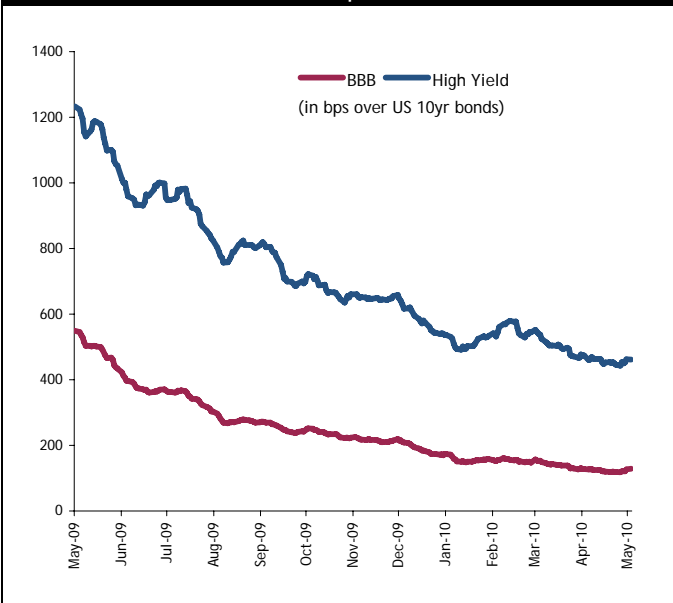
### Dividend Yield (%)



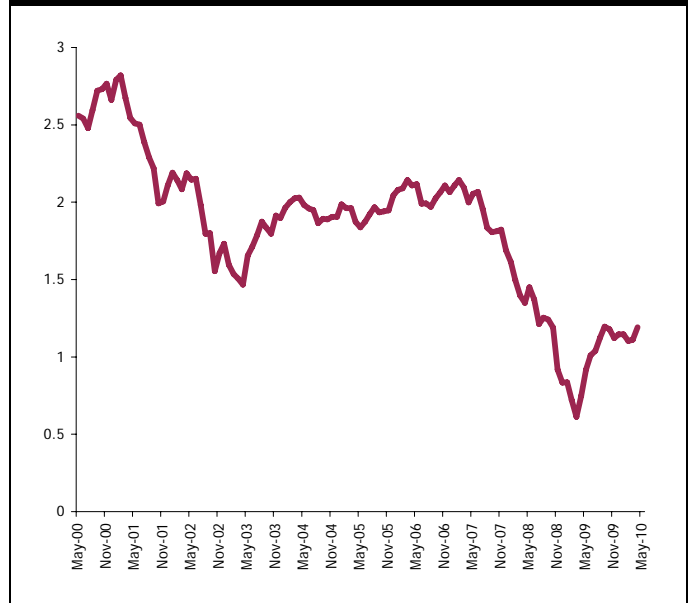
### PE Ratio



### Credit Spreads



### Price-to-Book Ratio



Source: Thomson Datastream, MSCI, BlackRock

## What has happened?

- The performance of the Health Care stocks was disappointing as the sector finished 3.5% lower in April. Several earnings disappointment weighed negatively on the sector and a number of stocks posted double-digit declines on the month. However, the sector showed resilience at the end of the month as markets weakened on worries about risks in sovereign bond markets.
- Gilead Sciences Inc., the world's largest maker of AIDS drugs, declined the most in 18 months in Nasdaq trading after cutting its revenue forecast and reporting sales of top products that missed analysts' estimates. The company reduced its 2010 guidance because the U.S. health-care overhaul passed last month will reduce revenue by \$200 million.

## What are the macroeconomic drivers?

- Health Care remains a strongly defensive sector. Since 2003 performance has been negatively correlated with all of the sectors that have led the cyclical recovery. The sector tends to outperform during periods when large caps perform well relative to small caps.

## Earnings Momentum

- Earnings momentum stabilised over the past few weeks. Earnings are expected to grow by more than 8% in 2010 and followed by another year of 7-8% growth in 2011.
- Earnings risk has diminished in the medium term. Companies have reigned in their costs and demand is holding up. At these valuations, companies can broaden their pipelines through selective acquisitions as opposed to the riskier research methods.

## Valuation

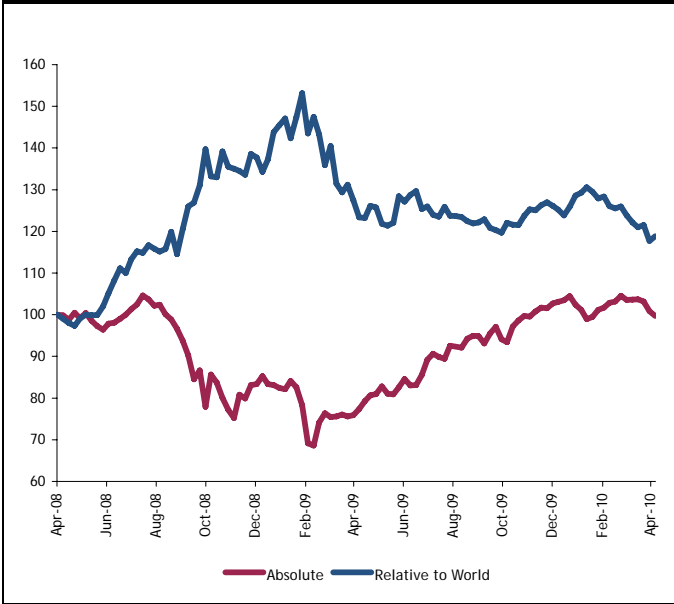
- The sector is currently trading at around 12x next year's earnings, having de-rated further in the past few months. The sector is still trading at historically low multiples and dividend yields remain elevated, currently around 2.5%.
- Valuations for pharmaceutical companies are down to historically low levels and the upside potential from a re-rating of earnings growth could give the sector a significant uplift.

## Investment Outlook

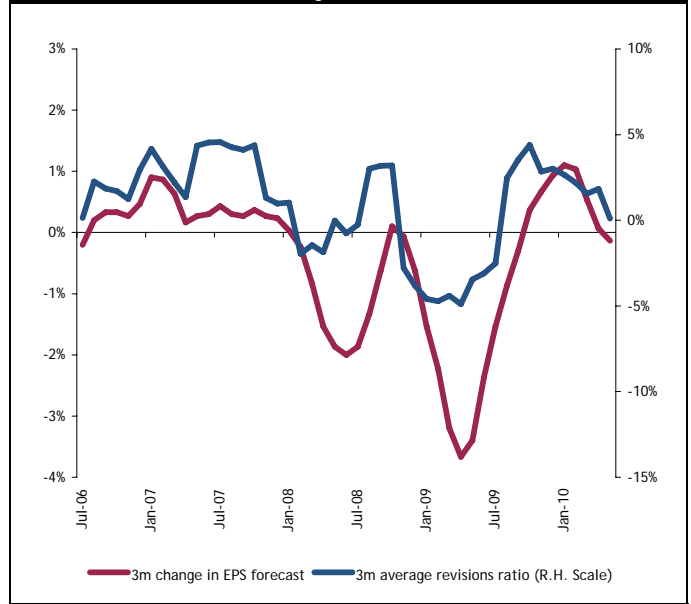
- We have a positive view on the sector at present and prefer Health Care stocks to other defensives. While we expect ongoing declines in risk aversion in the coming months we would still recommend an overweight position in Health Care stocks to protect against set-backs in markets. Earnings have been resilient to weaker economic growth which should help the sector in the near-term, and valuations are attractive.
- Longer term we remain cautious, the sector still faces considerable headwinds; existing blockbuster drugs will lose patent protection while new product approvals remain sluggish. The political backdrop is likely to improve with the passing of healthcare legislation in the US. We expect consolidation within the sector to continue with cash-rich Pharma companies being the obvious acquirers.

# Health Care

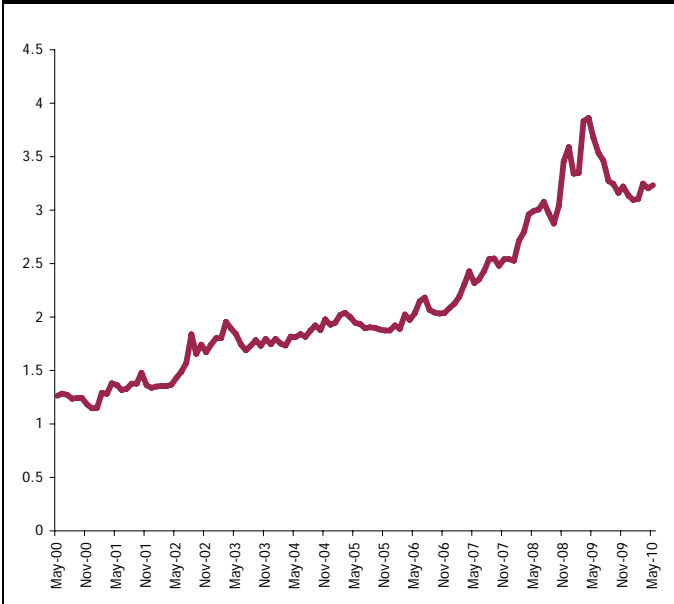
Price Performance



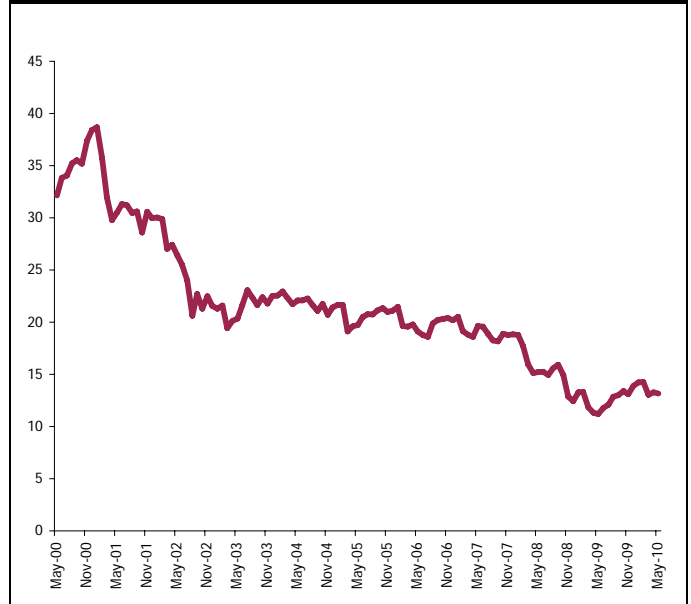
Earnings Momentum



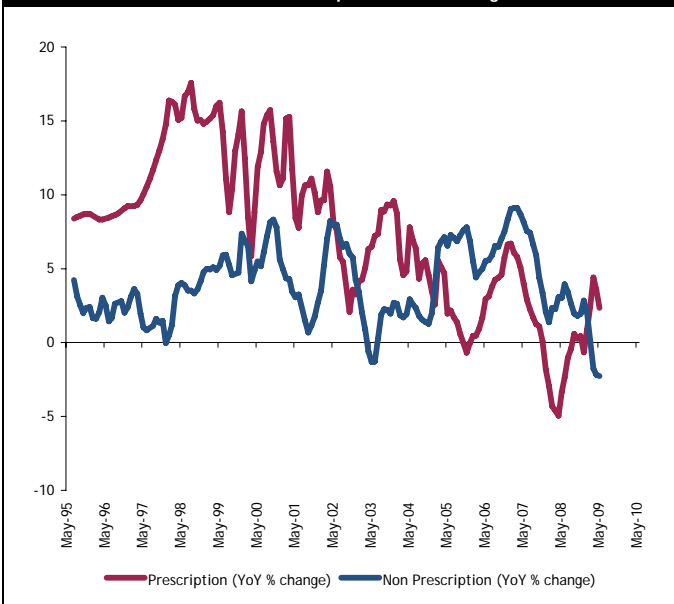
Dividend Yield (%)



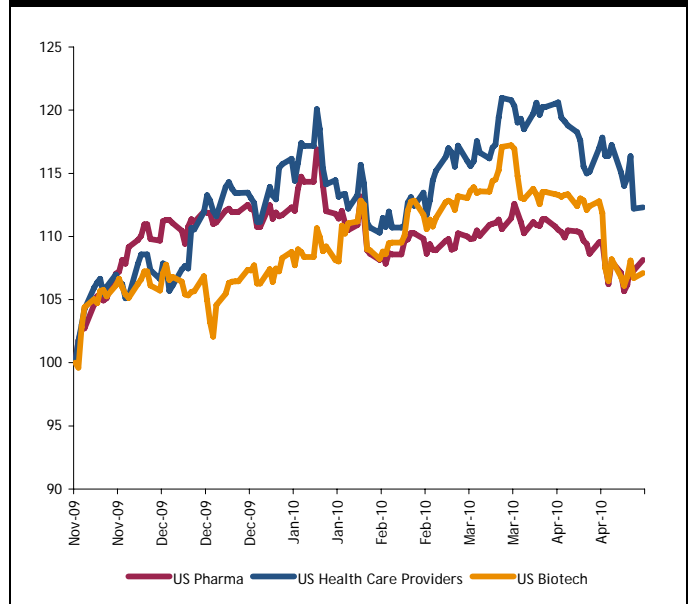
PE Ratio



US Consumer Expenditure - Drugs



Sub-Sector Price Performance



Source: Thomson Datastream, MSCI, BlackRock

## What has happened?

- The Industrials sector rose by more than 2% in April and with many stocks posting returns of more than 10% since the beginning of the year. United Parcel Service Inc. jumped the most in a year after boosting its full-year forecast and posting a first-quarter profit that beat analysts' estimates on rising overseas demand.
- Latest economic data revealed the strength of the manufacturing recovery with PMI readings reaching new highs in many developed countries. These readings continue to underscore that this manufacturing recovery is much stronger than following the mild 1990-91 and 2001 recessions, reflecting the rebound from the much deeper inventory liquidation and business overreaction in late 2008 and early 2009.

## What are the macroeconomic drivers?

- Economic growth and industrial production are good indicators for revenue growth of industrial companies. Incremental demand in the sector is coming from rapid economic growth in emerging markets such as China and India. Reinvestment in ageing infrastructure such as US power grids is another positive trend for the industry.
- The sector is sensitive to changes in exchange rates, energy and metals prices which will remain volatile and drive regional dispersion within the sector.

## Earnings Momentum

- Earnings growth estimates have improved further and the sector is now expected to grow earnings at more than 31% in 2010. A broad-based restocking cycle and strong growth in emerging markets remain key drivers of recent upgrades.
- Most industrial indicators have rebounded strongly over the past few months. Manufacturing PMIs, in particular, are closely linked to relative earnings momentum. As some of these indicators start to roll-over, there is a potential for earnings downgrades in some of the most cyclically-sensitive industries.

## Valuation

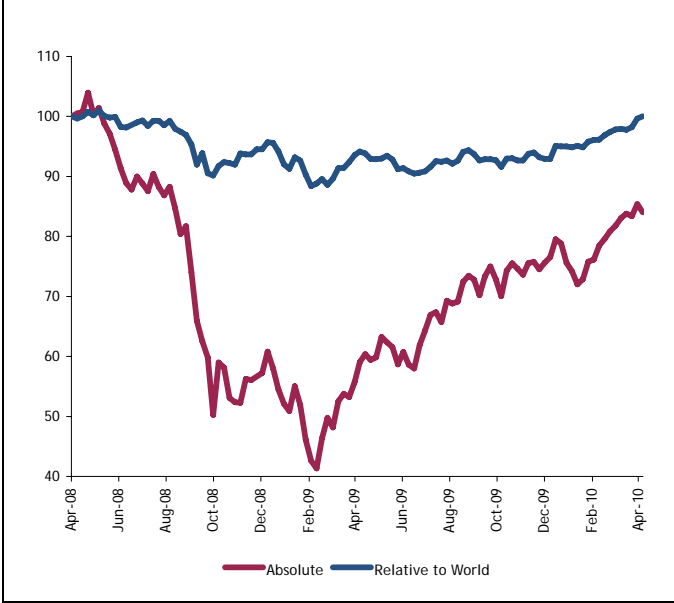
- Valuations based on earnings, book values, sales and enterprise values have expanded substantially over the past six months. The sector is currently priced at 16x next year's earnings which represents a premium relative to the overall market.
- Dividend yields have risen to very high levels and the sector is currently trading at 2.2% which is close to the yield for the overall market.

## Investment Outlook

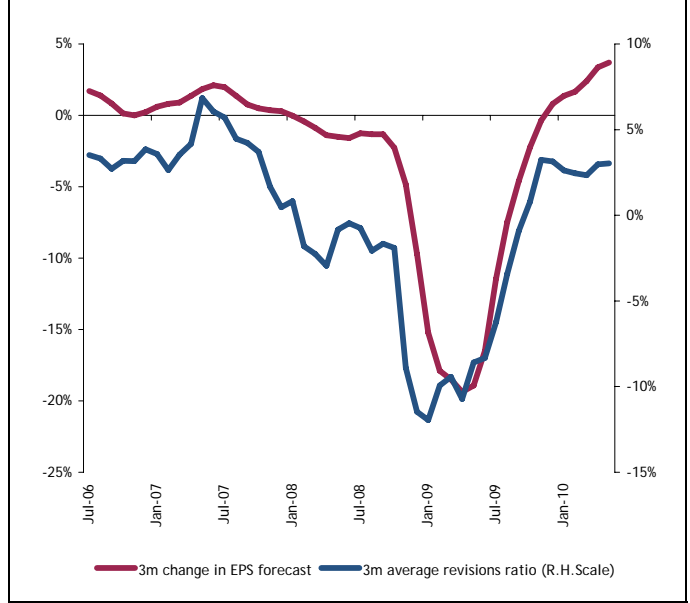
- We recommend an underweight position in the sector as most companies in the sector tend to experience stronger earnings momentum in later stages of the business cycle. In addition, earnings growth expectations still lag behind other cyclical areas of the market including Materials, IT and Consumer-related stocks.
- What will it take to boost the earnings of the Industrials sector? A recovery in US corporate profits, global economic growth, and higher capital expenditures would help. Moreover, investors need to believe that the current turnaround in economic momentum is more than just a massive swing in the short-term inventory cycle.

# Industrials

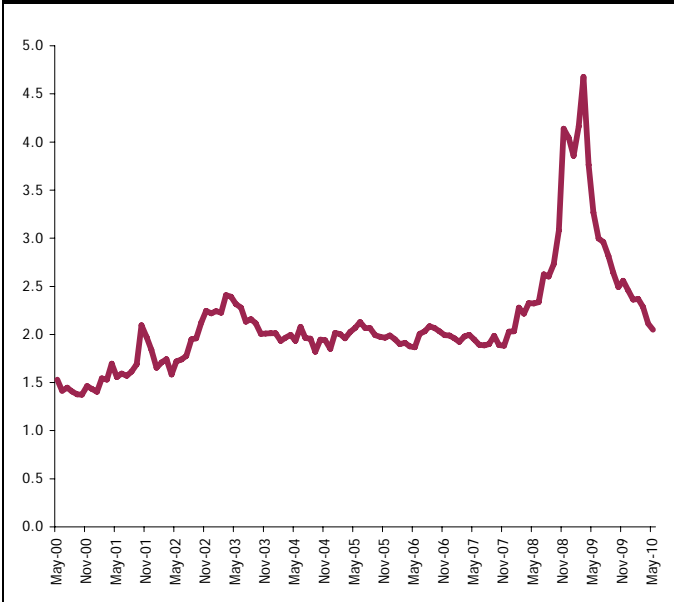
Price Performance



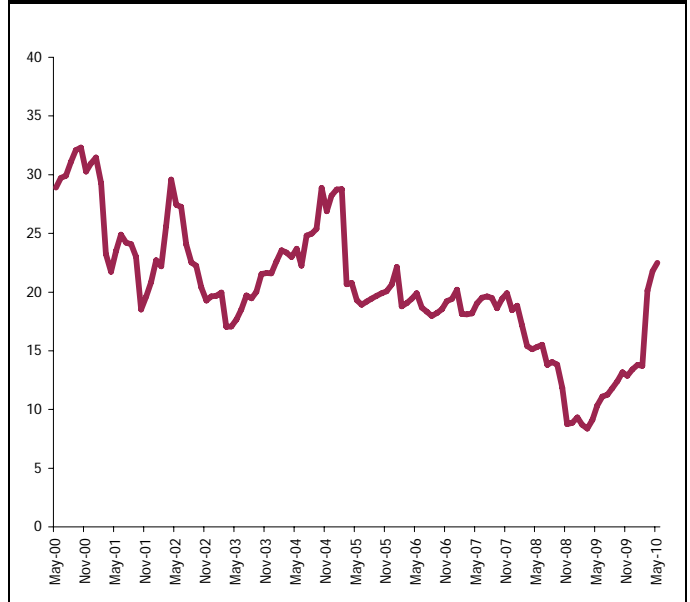
Earnings Momentum



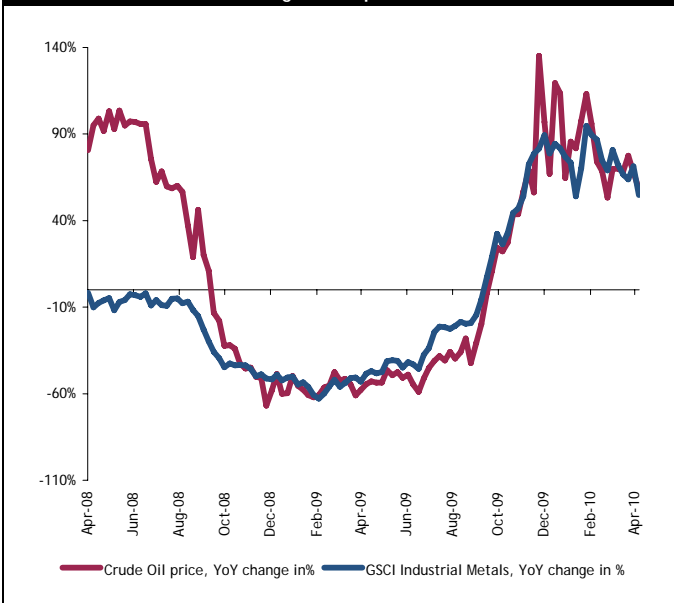
Dividend Yield (%)



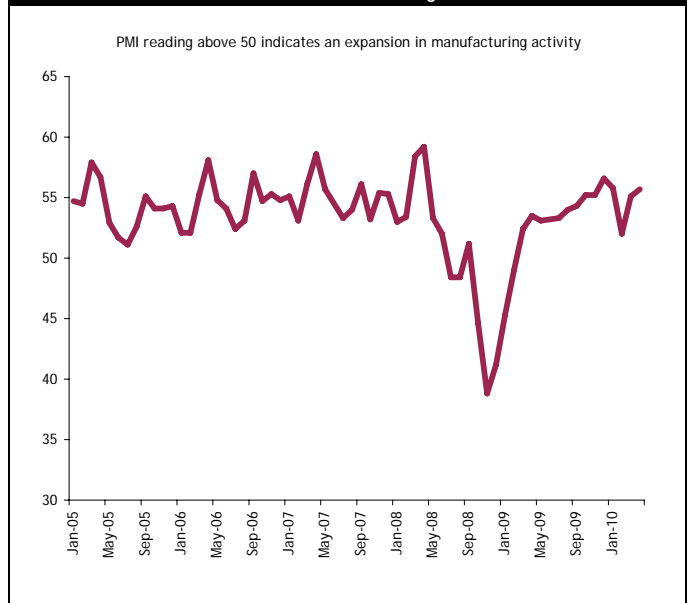
PE Ratio



Changes in input costs



China - Manufacturing PMI



Source: Thomson Datastream, MSCI, BlackRock

## What has happened?

- Information Technology marginally outperformed the broader market in April and finished 1.5% higher. The sector benefited from strong earnings reported by most companies and earnings continued to be upgraded. Nokia disappointed investors as the world's biggest maker of mobile phones plunged more than 14 percent after posting a lower-than-estimated profit on competition from Apple Inc.'s iPhone.
- Apple Inc. rose to a record after profit almost doubled last quarter and Chief Executive Officer Steve Jobs tantalized investors with the promise of "extraordinary" new products. The doubling of the stock in the past year already has made Apple the third-most valuable company in the U.S. and today's gains bring it closer to the No. 2, rival Microsoft Corp.

## What are the macroeconomic drivers?

- The IT sector is considered to be cyclical and thus likely to perform in an environment of strong economic growth. The sector is positively correlated with leading indicators and industrial production and is likely to underperform in periods of high volatility.
- More recently, the sector has become more defensive in the sense that it is now less influenced by macroeconomic drivers. Industry specific cycles have dominated in the recent months hence share price performance has been slightly out of line with other cyclical sectors.
- IT is a highly heterogeneous sector which is broadly split between hardware and software.

## Earnings Momentum

- Earnings estimates have continued their upward trend. The recovery is fairly broad-based both from a regional point of view and in terms of industries. The software sector, in particular, has experienced the strongest upward revisions since the start of the year.
- The IT sector is expected to grow earnings by more than 50% in 2010 which is mainly driven by a sharp rebound in profits in the hardware and semiconductor industries which are expected to experience close to 60% earnings growth over the next four quarters.

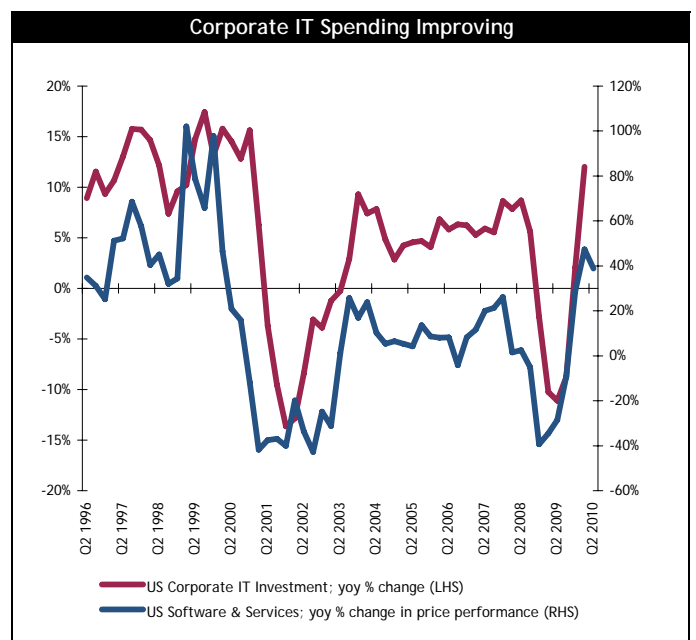
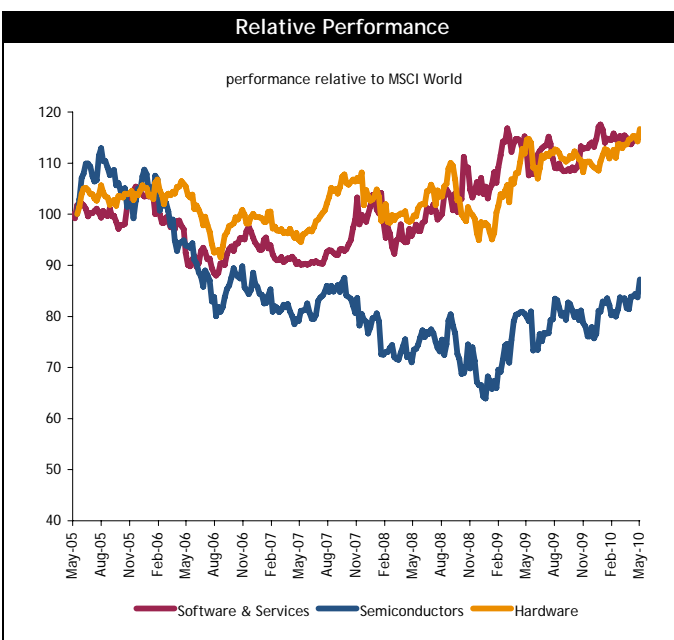
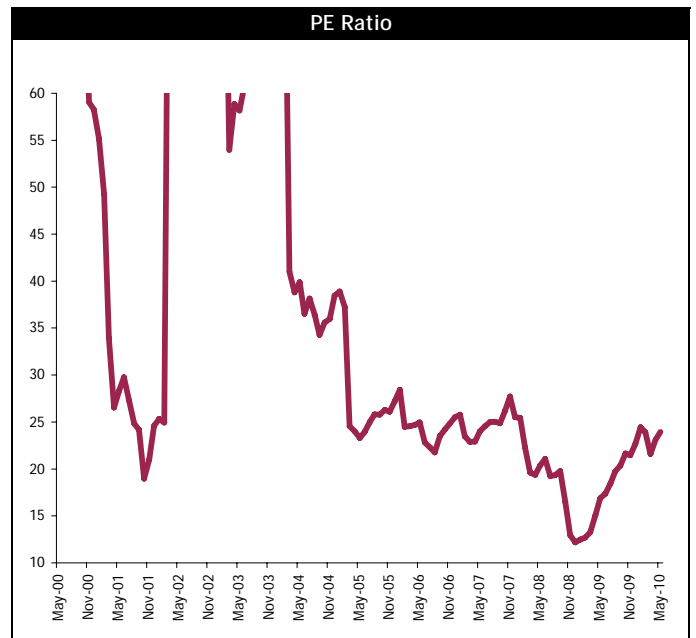
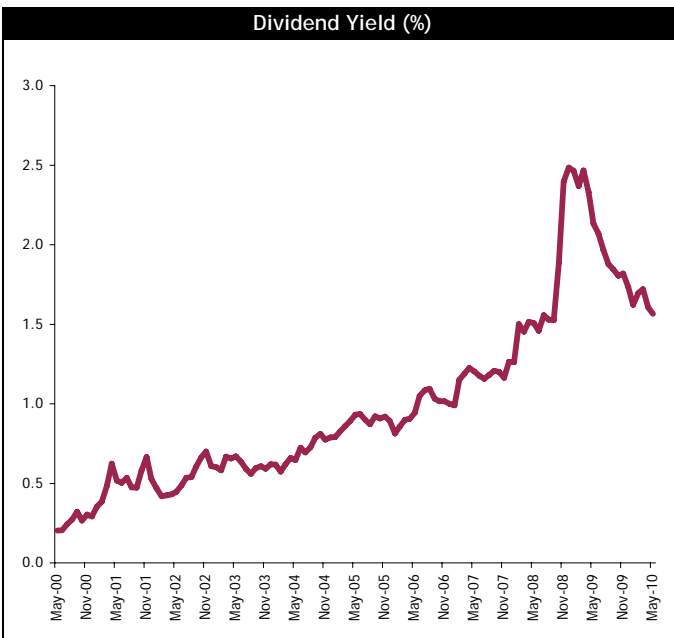
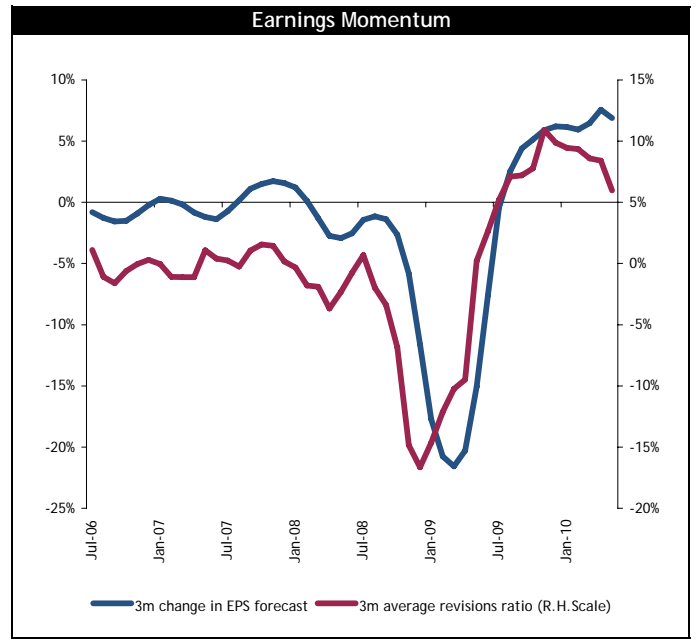
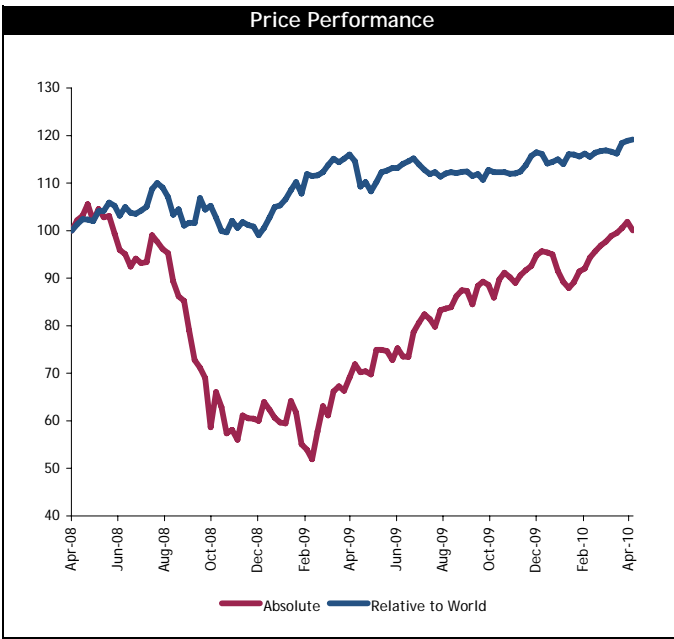
## Valuation

- The sector has rallied in the past month and is now trading at 15x next year's earnings, but is still at a premium to global equities.
- Most IT companies generate high free cash-flows and tend to have low levels of debt, providing some insulation in tough market conditions. In addition, a number of companies use their high levels of cash to buy back shares or to pursue acquisitions.

## Investment Outlook

- We remain positive on the outlook for IT as earnings momentum remains supportive and the growth outlook looks superior compared to other cyclical sectors. We believe that the sector should benefit from a recovery in corporate investment as well as further stabilisation in consumer spending.
- Major risks to the sector stem from increasing investor expectations and further re-rating of the future earnings outlook. In terms of fundamentals, the sector's revenues tend to be tilted towards the fourth quarter. Hence, any clues related to the outlook for both corporate and consumer spending remains critical for the sector's performance.

# Information Technology



Source: Thomson Datastream, MSCI, BlackRock

## What has happened?

- The Materials sector underperformed the broader equity market in April and finished more than 1.5% lower on the month. Worries about policy tightening in China as well as fears over potential contagion of the Greek debt crisis caused commodity prices to weaken in April.
- BHP Billiton Ltd. and Rio Tinto Group, the world's largest and third-biggest mining companies, saw their share prices dropping by more than 10% after the Australian government said it will increase taxes on resource companies to help pay for infrastructure, retirement and company levy reforms.

## What are the macroeconomic drivers?

- Materials is a fragmented sector with both mining and chemical companies well represented. Although this can lead to some perverse relationships with commodity prices, in general the sector is positively geared to the price of base metals. The sector is a key beneficiary of industrialisation and urbanisation in major developing economies.
- The sector showed the highest beta versus the broad market in 2008, showing the importance of investor sentiment and market direction. Economic growth, China in particular, is clearly a key determinant given the importance of base metals in global manufacturing and construction activity.

## Earnings Momentum

- Earnings momentum has improved in the short-term with a number of companies turning more positive on growth prospects for the second half of the year. Following an expected drop of 50% in 2009 earnings most analysts expect a profit rebound of more than 30% in 2010.
- The medium-term earnings growth outlook for the sector is becoming increasingly dependent on the growth path of the Chinese economy. Recent economic data from China has surprised to the upside and the sector stands to benefit should a fully fledged recovery emerge.

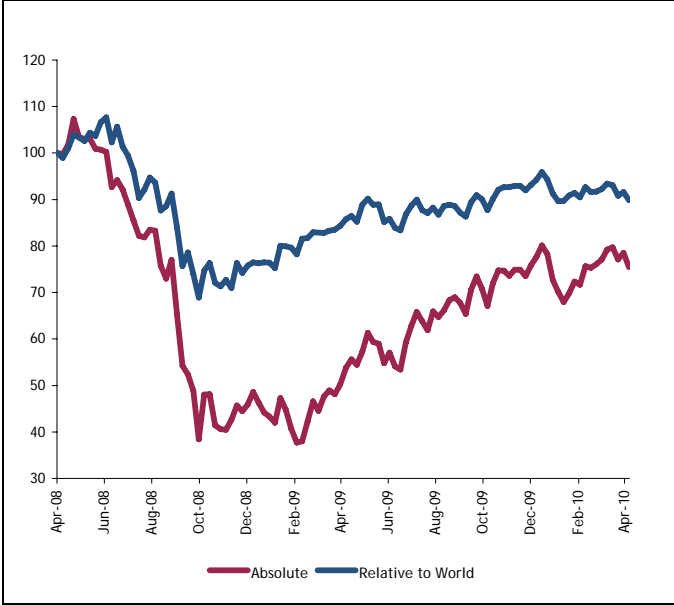
## Valuation

- The sector's P/E ratio tends to trough when earnings are peaking and to soar when earnings are bottoming. The sector's price-to-earnings ratio for 2010 earnings has expanded to 13.5x.
- While the sector looks expensive on a trailing price-to-earnings basis, the expected rebound in profits makes the valuations more attractive when looking at the potential for significant earnings growth over the next few years.

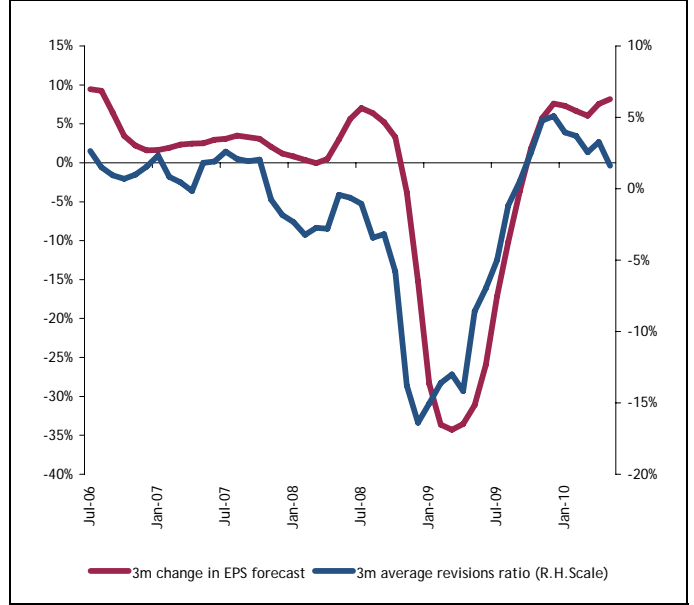
## Investment Outlook

- We recommend a positive stance on the Materials sector due to the significant exposure to Chinese economic growth. We also expect commodity prices to trend higher in the coming months as the economic growth outlook strengthens further. Moreover, aggressive production cuts and significant exposure to emerging markets could provide some earnings upside in the medium-term.
- We believe that the near-term outlook is likely to be characterised by high volatility, newsflow regarding further policy tightening in Chinese and more evidence that developed economies are returning to sustainable levels of economic growth. A degree of caution and increased volatility is likely to prevail short term.

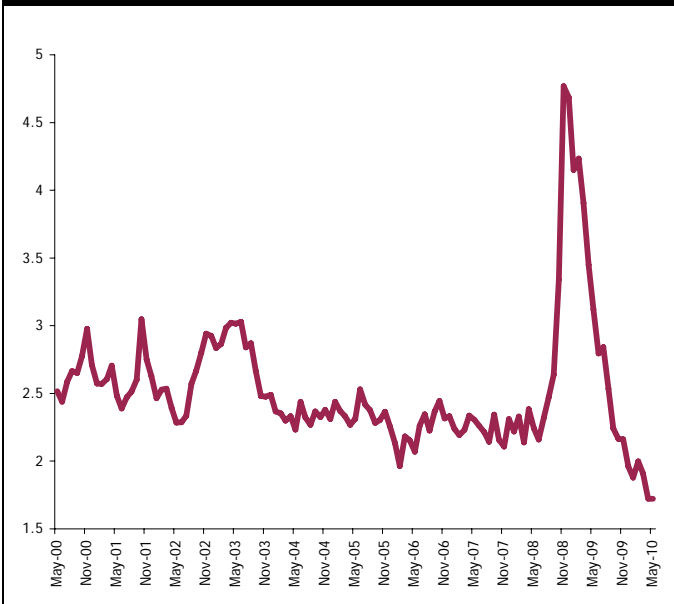
### Price Performance



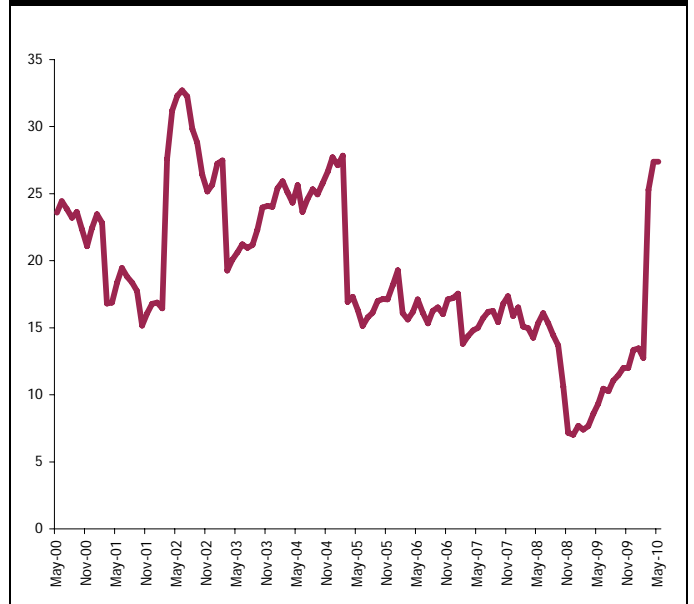
### Earnings Momentum



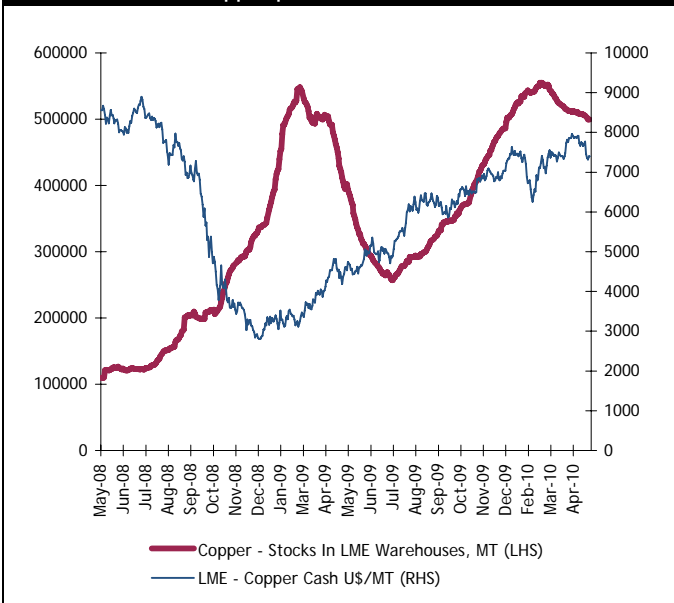
### Dividend Yield (%)



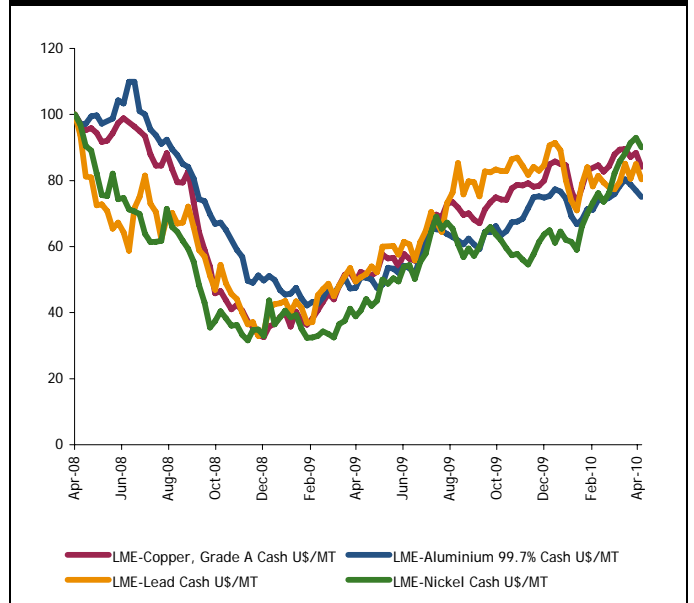
### PE Ratio



### Copper price and Inventories



### Industrial Metals



Source: Thomson Datastream, MSCI, BlackRock

## What has happened?

- The Telecoms sector continued to underperform the broader market and finished 2% lower on the month. Earnings momentum remained muted as mobile and fixed line revenues are still under pressure.
- France Telecom SA said first-quarter operating profit declined, missing analysts' estimates, as revenue from business sales fell. France's biggest phone company aims to participate in consolidation in European mobile-phone markets as revenue growth slows and phone subscriptions may exceed countries' populations.

## What are the macroeconomic drivers?

- Telecoms are considered to be defensive and likely to outperform in an environment of economic uncertainty. The sector is negatively correlated with leading indicators and industrial production and also has a lower negative correlation with the VIX than other sectors.
- For a number of Telecoms operators IT-services have become a meaningful revenue generator which is more dependent on the economic cycle compared with legacy revenues from telephony.

## Earnings Momentum

- Sector earnings momentum has remained negative over the past few weeks. Earnings are expected to grow by some 6% in 2010.
- Revenue growth in the sector is expected to rebound in 2010 after a decade of slowing down, driven by an inflexion in wireline pricing, and a GDP-driven bounce in mobile and smartphone revenues.

## Valuation

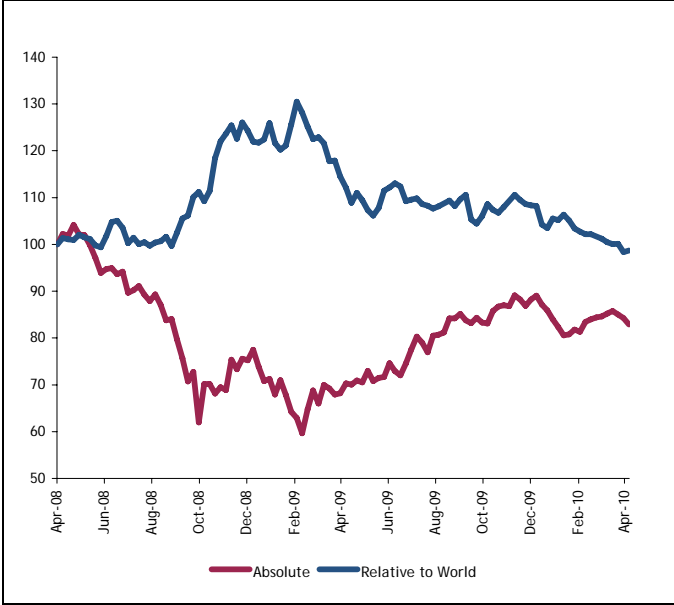
- The sector has de-rated recently on the back of a sharp fall in equity markets generally. On a price-to-earnings basis, the sector is trading at a discount to the global equity market at 12x next year's earnings.
- Telecoms offer the highest dividend yields and strongest FCF yields among the ten global sectors. The major European Telecoms, in particular, offer dividend yields in excess of 5% and trade on low market multiples. This also compares favourably with European government bond yields which have dropped to c.3%.

## Investment Outlook

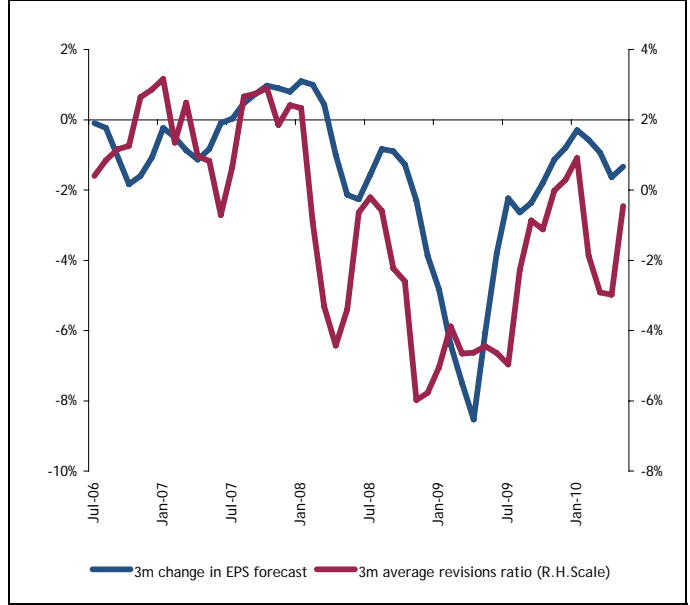
- We remain neutral on the Telecoms sector in the short-term. From a longer-term perspective current valuations have reached very attractive levels and there is further potential for consolidation. Historically, the sector's relative performance has been driven by earnings momentum; a trend which we expect to continue.
- The key structural trends are gaining momentum: the outlook for incumbent wireline is still improving, with reduced regulatory pressure and an inflexion in wireline pricing trends in a growing number of markets. On the negative side, emerging market telecoms continue to mature and the slowing US mobile market exerts downward pressure on pricing.

# Telecommunication Services

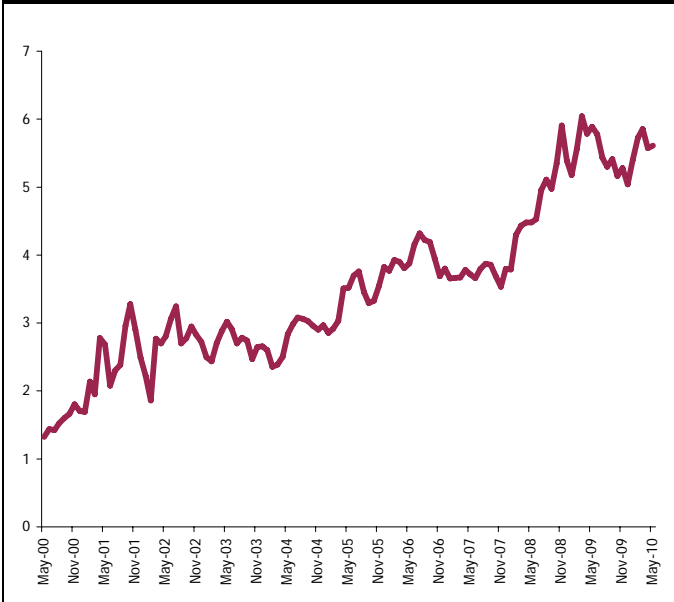
Price Performance



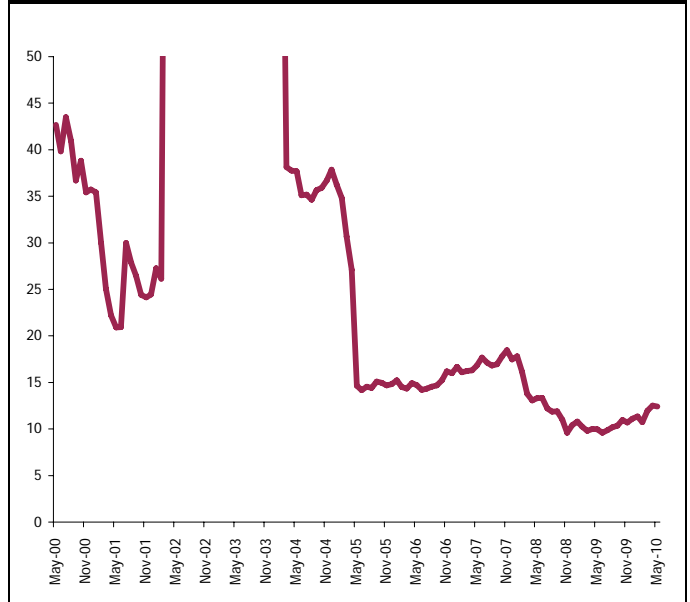
Earnings Momentum



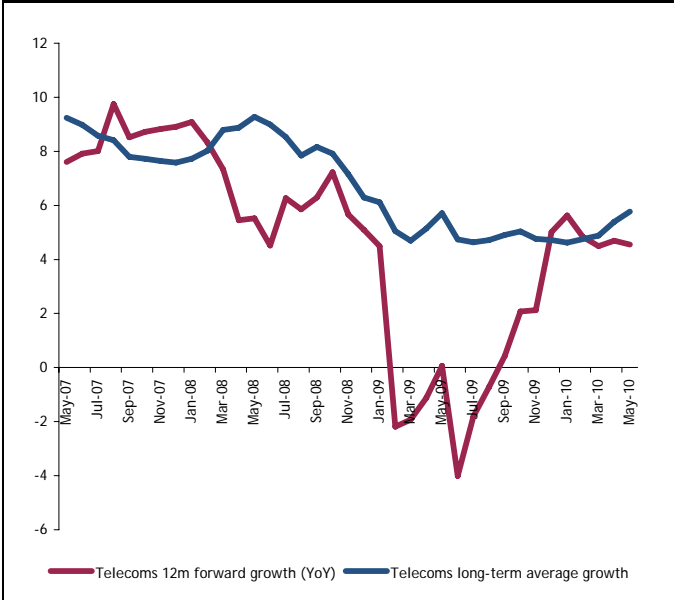
Dividend Yield (%)



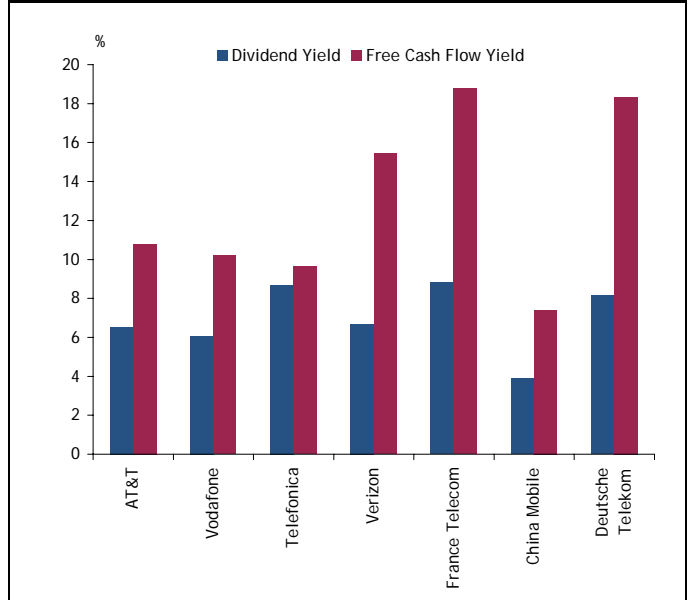
PE Ratio



Earnings growth assumptions



Attractive valuations



Source: Thomson Datastream, MSCI, BlackRock

## What has happened?

- The Utilities sector finished 1% lower in April and continued to underperform global equities. Earnings momentum improved somewhat but the growth prospects for the sector seem less attractive compared to other sectors.
- GDF Suez SA, the world's second-largest utility, said it's expanding in the U.K. electricity market with a GBP 600m agreement to supply power to water companies.

## What are the macroeconomic drivers?

- Utility companies have varying sensitivities to three macroeconomic drivers; regulatory regime, interest rates and energy prices. The degree to which they will be influenced by each of these three drivers will depend on the level of regulation each company experiences.
- The transmission and distribution companies which typically experience a high degree of regulation will be more sensitive to interest rates. An increase in interest rates would both increase the cost of debt and decrease the attractiveness of the sector as a bond proxy.
- The more competitive generation assets will be more sensitive to energy prices and in particular gas prices. Electricity prices are set by the marginal cost of generation which is usually gas generation.

## Earnings Momentum

- Earnings growth remains weak as industrial demand has waned, 12 month forward earnings are estimated to grow by some 4.5%. An increase in power prices has led to some earnings upgrades in the European sector.
- The economic slowdown dented earnings momentum, but it has thrown up acquisition opportunities. Renewables remain a focus for governments, although their capacity to act has been greatly reduced and sustained oil price strength should support development in this area.

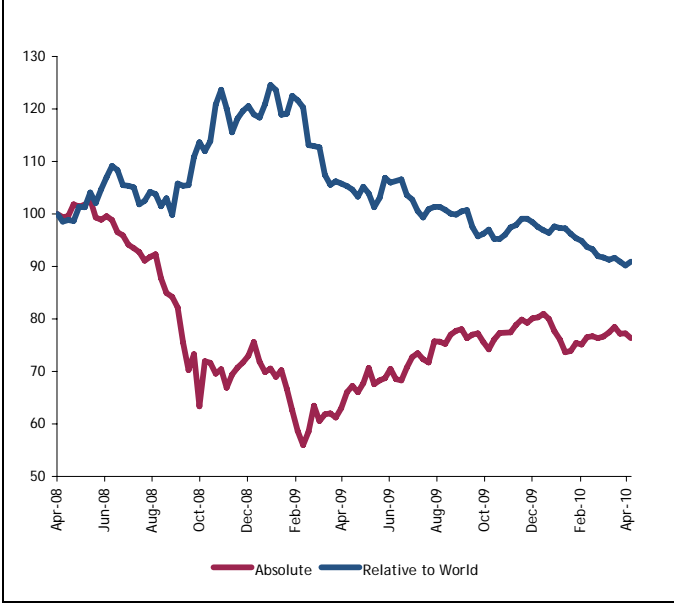
## Valuation

- With less volatile price action over the past few months, valuation measures have stabilised. Price to earnings multiples remain attractive, and despite climbing they are well below the sector's historical average. Price to book ratios remain around 1.4, up from the Q1 lows.
- Dividend yields remain elevated at around 4.5%, and with recent guidance showing some positives, especially in Europe, the sector remains an attractive source of income.

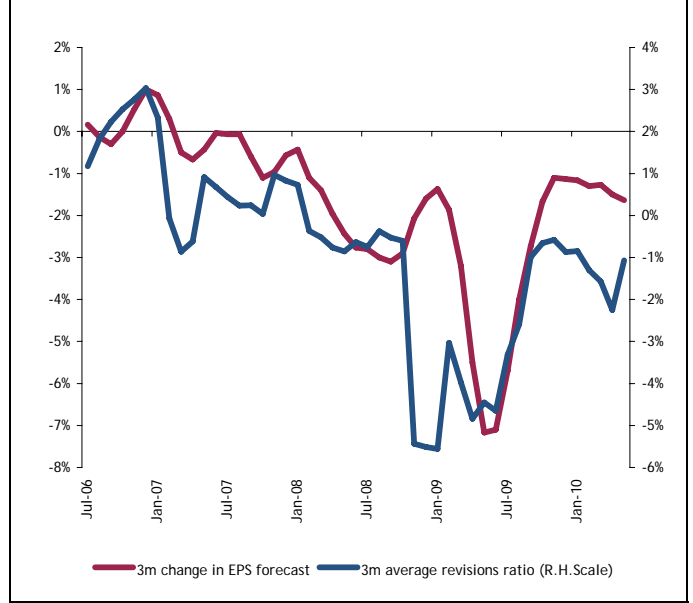
## Investment Outlook

- The improving industrial outlook has been a positive for Utilities companies but recent lacklustre figures indicate that investors may have been overly optimistic. The sector stands to benefit from investors searching for yield, even if earnings growth remains subdued. Sustained higher commodities prices will continue to influence trading and we expect strategic acquisitions to add value going forward.
- We expect that integrated/regulated Utilities are in a better position to outperform than companies that are more exposed to power generation and infrastructure. Companies that can afford acquisitions at these levels should benefit in the long run. Structural headwinds in Japan should persist.

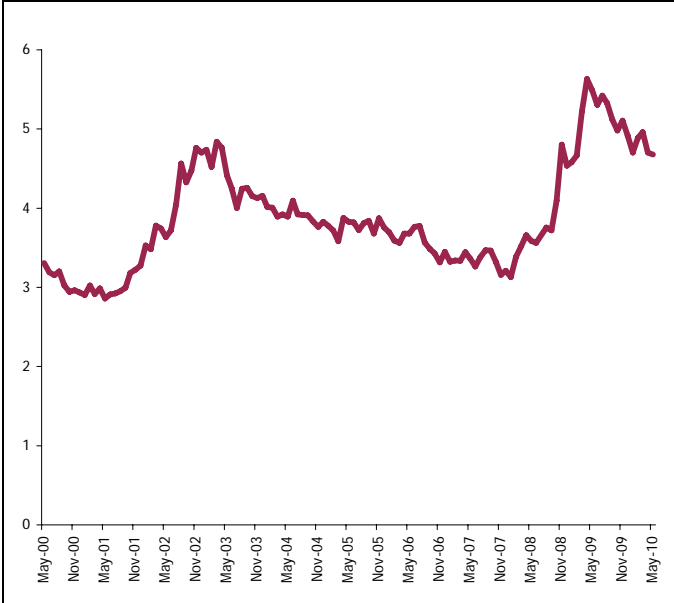
### Price Performance



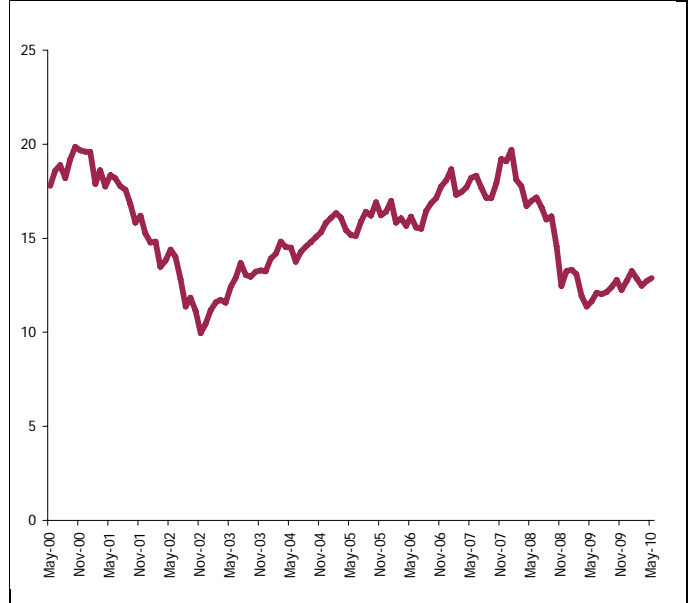
### Earnings Momentum



### Dividend Yield (%)



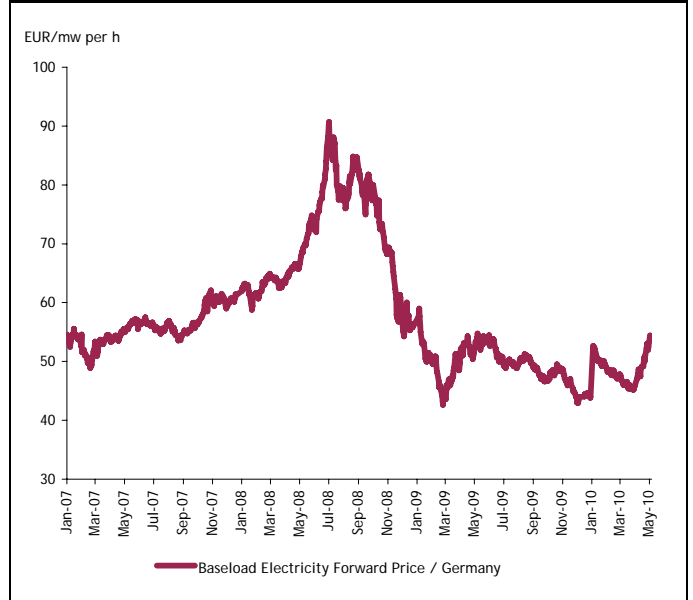
### PE Ratio



### Dividend Yield Premium



### Electricity Price / Germany

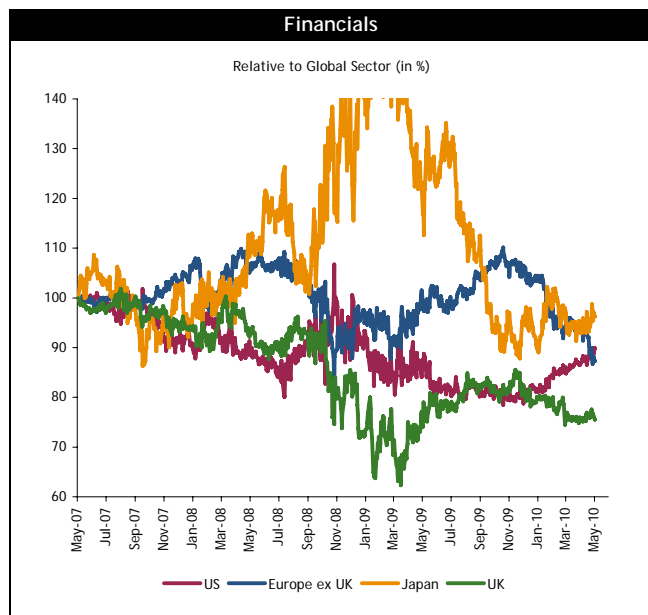
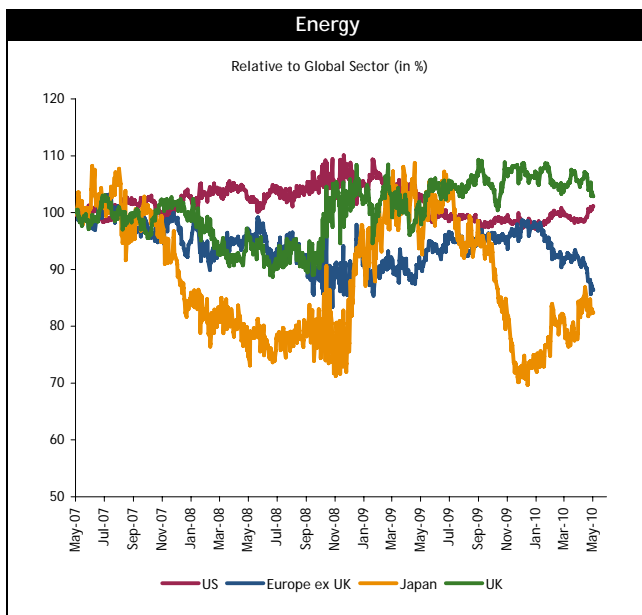
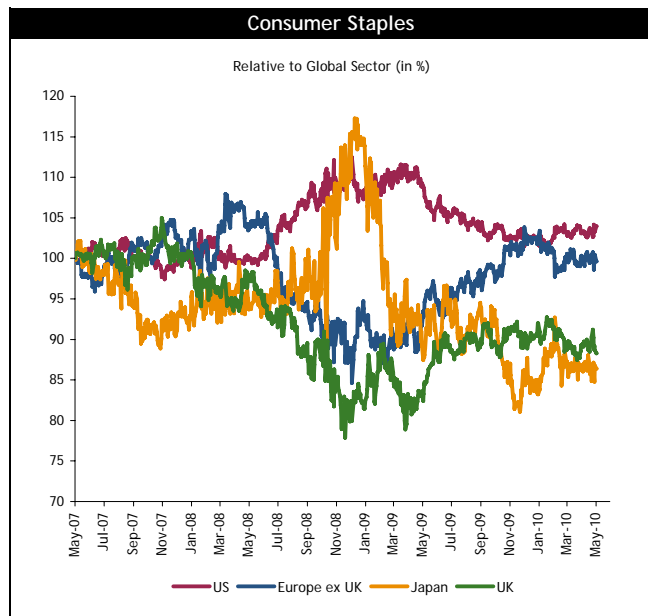
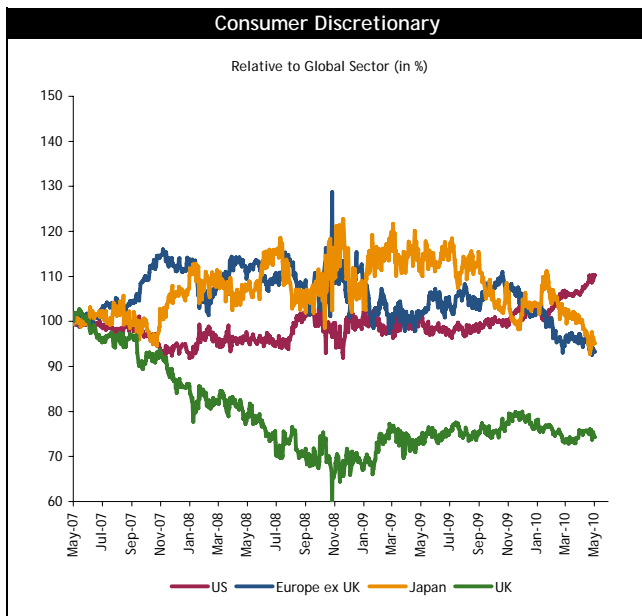


Source: Thomson Datastream, MSCI, BlackRock

# Regional Sector Performance

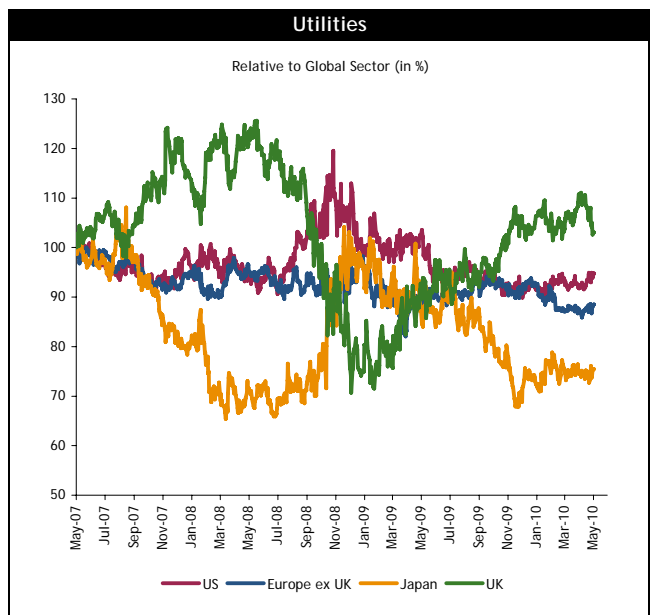
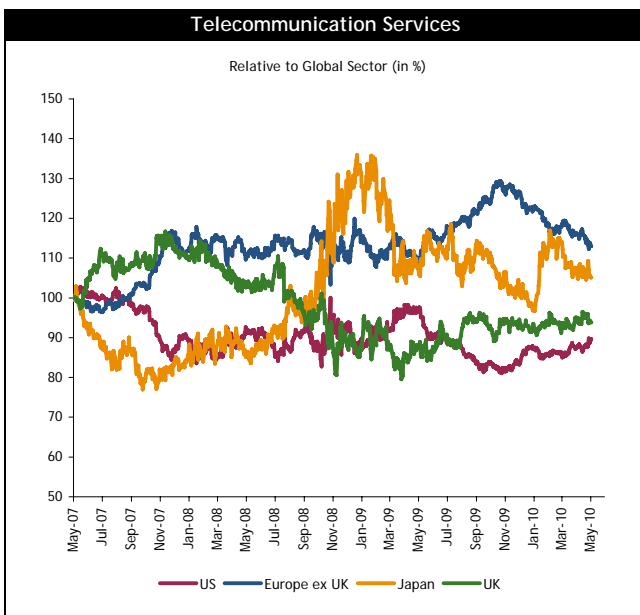
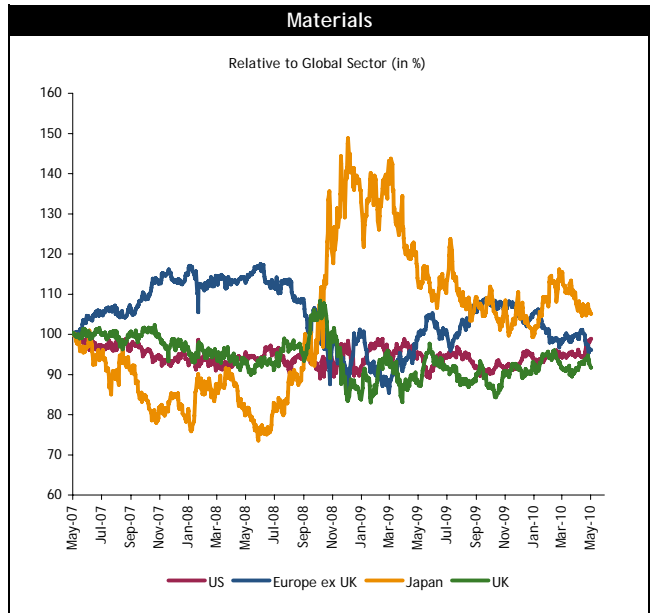
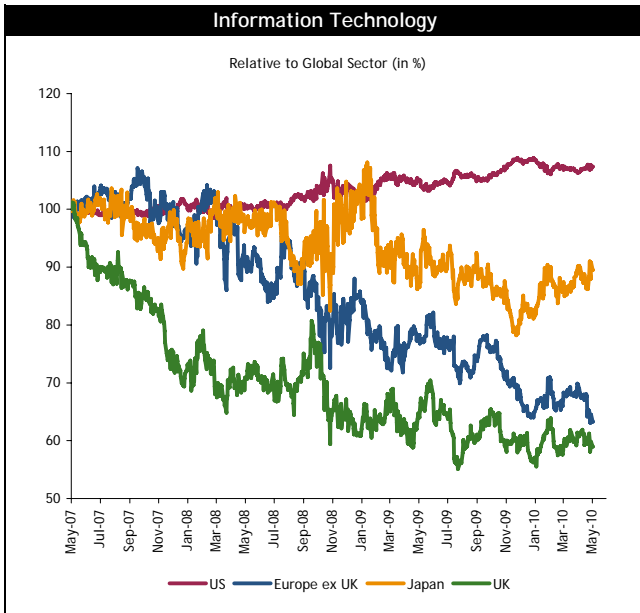
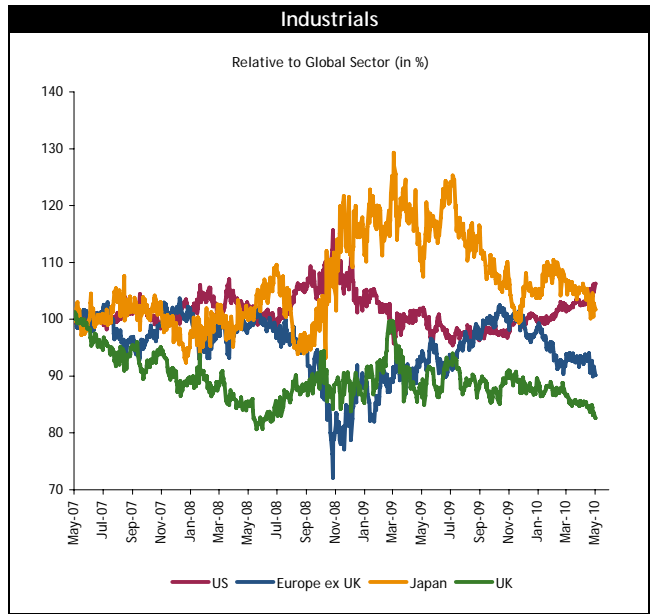
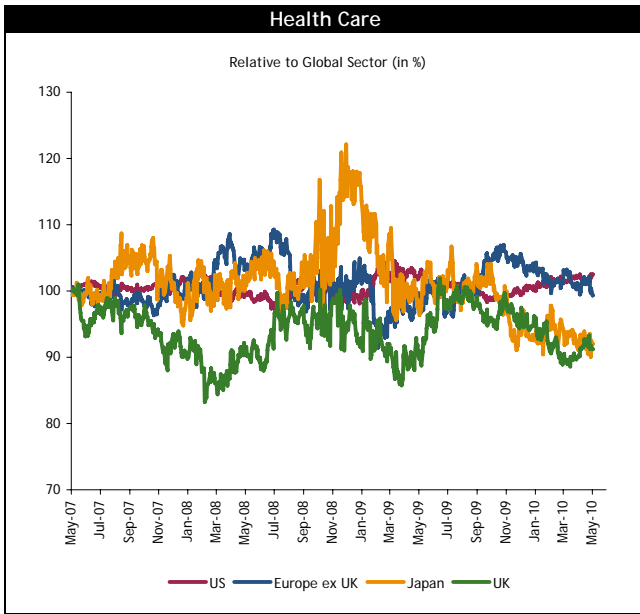
## Market trends

- Cyclicals:** Regional differences across cyclical sectors increased last month. US Industrials continued to outperform while Europe struggled on fears of a sovereign debt crisis. In the IT sector, Europe lagged the other regions by almost 10% as the sector was dragged down by poor results reported by Nokia. Financials in Europe also suffered from fears that the Greek debt crisis would spillover to other markets. The Consumer Discretionary sector saw strong performance in the US following better-than-expected retail sales numbers.
- Defensives:** Regional dispersion was relatively small across all defensive sectors in April. There was only minimal regional divergence in the Health Care sector. The Utilities sector continued to show a greater degree of regional dispersion as the US and the UK outperformed the other regions by more than 5%. The Consumer Staples sector, however, experienced only a small degree of regional dispersion in April.
- Resources:** Regional dispersion in the Materials sector increased throughout April with the UK Mining sector underperforming the other regions by more than 5%. The US Materials sector held up better and marginally outperformed. Similarly, the US outperformed in the Energy sector where Europe significantly underperformed on the back of a slide in shares of BP plc.



Source: Thomson Datastream, MSCI, BlackRock

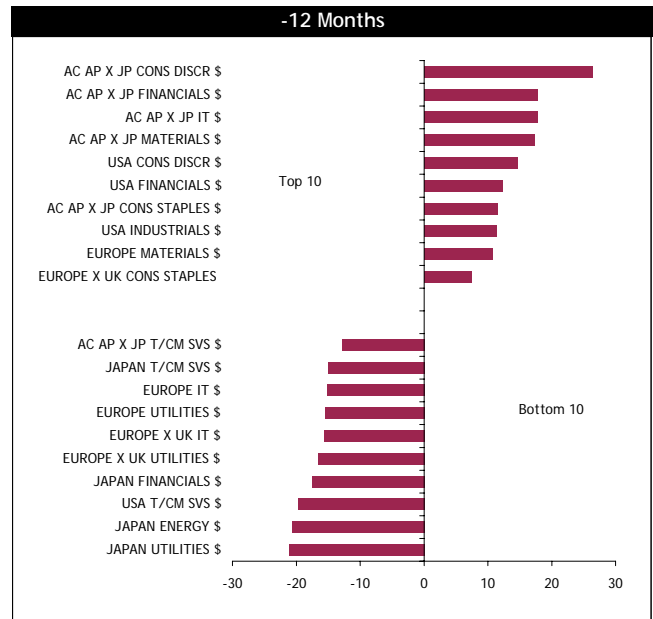
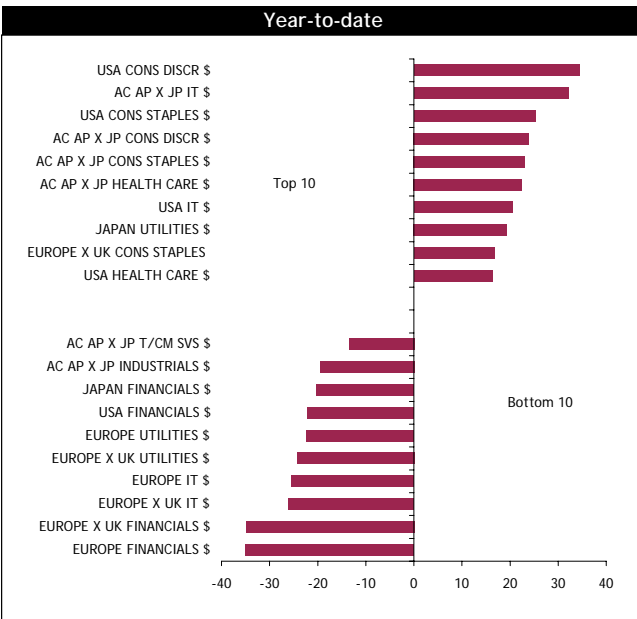
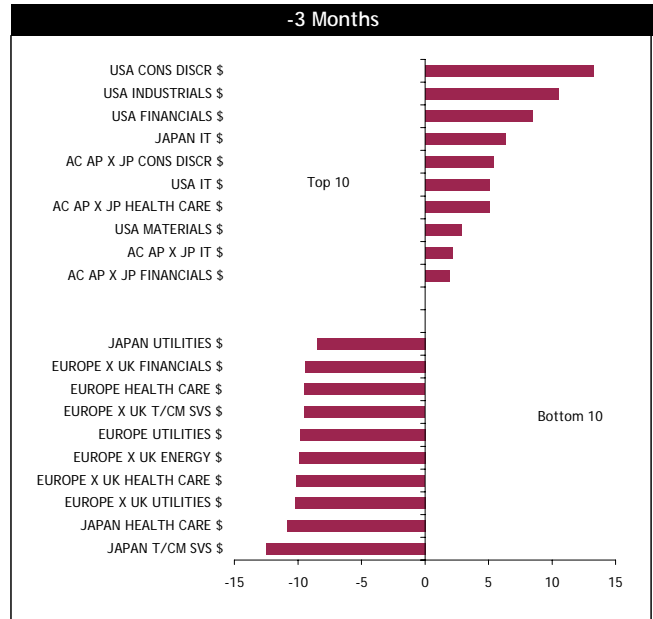
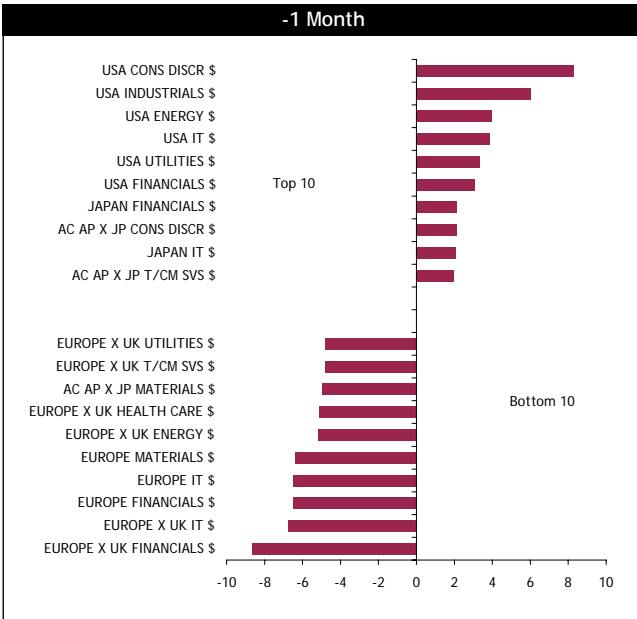
# Regional Sector Performance



Source: Thomson Datastream, MSCI, BlackRock

# Regional Sector Performance Summary

MSCI Sector Performance (relative to MSCI World, in %)



returns as at 30 April 2010

Source: Thomson Datastream, MSCI, BlackRock

# Summary of current sector valuation as at 30<sup>th</sup> April 2010

	Price to book value		Price to cash earnings		Price to earnings		Dividend Yield	
	Current	Trend	Current	Trend	Current	Trend	Current	Trend
Energy	1.9	2.7	8.0	8.8	18.0	17.7	2.7	2.7
Materials	2.1	2.1	12.5	8.5	34.8	21.1	1.6	2.3
Industrials	2.2	2.6	11.2	10.8	24.9	22.6	1.9	1.9
<i>Capital Goods</i>	2.2	2.6	11.5	11.7	23.1	23.0	1.9	2.0
<i>Commercial Services &amp; Supplies</i>	2.5	3.6	10.5	12.6	21.6	24.8	2.3	1.6
<i>Transportation</i>	1.9	2.1	10.2	7.7	38.5	21.6	1.8	1.7
Consumer Discretionary	2.0	2.3	10.4	10.5	42.4	27.0	1.6	1.5
<i>Automobiles &amp; Components</i>	1.3	1.7	9.5	5.6	-28.0	14.2	0.9	1.9
<i>Consumer Durables &amp; Apparel</i>	1.9	1.9	16.7	11.4	526.3	26.1	1.3	1.4
<i>Hotels Restaurants &amp; Leisure</i>	3.4	2.9	13.4	12.9	22.9	22.0	2.1	1.8
<i>Media</i>	1.9	2.5	7.1	17.6	18.6	64.6	2.3	1.4
<i>Retailing</i>	2.9	3.5	12.5	14.7	20.7	24.6	1.5	1.3
Consumer Staples	2.9	4.1	11.5	13.7	16.7	21.0	2.8	2.3
<i>Food &amp; Drug Retailing</i>	2.1	3.4	9.2	12.0	16.1	21.9	2.4	1.8
<i>Food Beverage &amp; Tobacco</i>	3.4	4.0	12.3	13.4	16.7	19.6	3.1	2.6
<i>Household &amp; Personal Products</i>	3.4	6.1	13.2	17.4	17.7	25.9	2.8	1.8
Healthcare	2.5	5.1	10.3	18.7	13.6	24.6	2.6	1.7
<i>Healthcare Equipment &amp; Services</i>	2.4	3.1	11.2	15.6	15.0	23.4	0.9	0.8
<i>Pharmaceuticals &amp; Biotechnology</i>	2.6	5.8	10.0	19.2	13.1	24.7	3.2	2.0
Financials	1.2	2.0	17.0	19.5	22.6	6.1	2.4	2.7
<i>Banks</i>	1.2	2.0	--	0.0	22.1	18.3	2.8	3.2
<i>Diversified Financials</i>	1.1	2.2	19.1	11.2	36.9	16.3	1.1	2.2
<i>Insurance</i>	1.1	2.1	--	7.9	14.7	21.3	2.9	1.9
<i>Real Estate</i>	1.4	1.4	13.8	16.4	24.5	22.5	3.5	3.5
Information Technology	3.3	4.5	14.9	18.9	27.4	21.6	1.0	0.7
<i>Software &amp; Services</i>	4.0	7.8	14.5	27.6	19.4	38.1	1.0	0.5
<i>Technology Hardware &amp; Equipment</i>	3.0	3.9	14.5	17.2	31.4	22.6	0.8	0.7
Telecommunications Services	1.6	2.5	4.5	7.6	12.9	33.3	5.4	3.0
<i>Diversified Telecommunications</i>	2.9	4.6	18.4	21.1	79.5	38.6	1.8	0.8
<i>Wireless Telecommunications</i>	1.8	2.8	4.2	6.9	12.6	-45.8	6.2	3.4
Utilities	1.5	1.9	5.4	6.9	11.6	16.5	4.6	3.7
<b>Total Market</b>	<b>1.9</b>	<b>2.6</b>	<b>10.0</b>	<b>11.2</b>	<b>20.3</b>	<b>21.7</b>	<b>2.3</b>	<b>2.1</b>

Price to book, price to cash earnings, price to earnings and dividend yield figures are top-down sector aggregates; the trends are 20 year historic means. For Food & Drug Retailing, Food, Beverage & Tobacco, Household & Personal Products, Health Care Equipment & Services, Pharmaceuticals and Biotechnology, Diversified Telecoms and Wireless Telecoms, all top-down trends are 6 year historic means. This is due to the non-existence of these sector classifications under old MSCI aggregation. In these cases only the history available under current classifications has been used. For Financials and Diversified Financials, the price to cash earnings trends are 6 year historic means, as the old MSCI aggregation did not generate figures for these multiples. Bottom-up valuations Implied growth figures are annual percentage growth rates derived from bottom-up, company-specific calculations; the trends are 12-year historic means.

# World MSCI Sector Performance to 30<sup>th</sup> April 2010

Sector	Sector Weight (in %)	Group	Industry	1 Month % Change	3 Month % Change	1 Year % Change
<b>ENERGY</b>	10.7					
			Energy Equipment & Services	2.63	8.00	26.65
			Oil & Gas	4.35	9.79	48.56
				2.36	7.73	23.24
<b>MATERIALS</b>	7.3					
			Chemicals	-1.21	11.15	43.79
			Construction Materials	-0.79	9.14	34.88
			Containers & Packaging	9.09	12.54	30.88
			Metals & Mining	1.53	14.10	29.16
			Paper & Forest Products	-3.10	11.77	50.90
				5.55	17.57	53.71
<b>INDUSTRIALS</b>	11.0			0.00		
		Capital Goods		2.60	14.93	45.48
			Aerospace & Defense	2.67	15.84	48.82
			Building Products	0.58	14.54	47.42
			Construction & Engineering	4.53	14.81	56.47
			Electrical Equipment	0.77	9.00	25.72
			Industrial Conglomerates	0.31	14.14	34.39
			Machinery	3.10	14.37	51.48
			Trading Companies & Distributors	6.70	22.89	60.48
		Commercial Services & Supplies		-2.11	10.04	45.25
		Transportation		1.28	8.81	29.37
			Air Freight & Couriers	2.79	13.44	37.75
			Airlines	3.59	12.71	38.46
			Marine	-0.36	9.94	47.65
			Road & Rail	8.60	17.49	34.98
			Transportation Infrastructure	2.52	16.13	38.00
				-2.04	-0.12	29.58
<b>CONSUMER DISCRETIONARY</b>	10.0					
		Automobiles & Components		3.85	15.89	44.76
			Auto Components	2.38	11.24	32.46
			Automobiles	2.27	10.70	43.27
		Consumer Durables & Apparel		2.41	11.38	29.54
			Household Durables	2.26	13.64	45.73
			Leisure Equipment & Products	2.46	13.19	33.07
			Textiles & Apparel	2.25	14.79	41.88
		Hotels Restaurants & Leisure		2.06	13.84	59.05
		Media		6.24	19.30	50.81
		Retailing		3.95	17.39	48.77
			Distributors	4.67	17.97	47.70
			Internet & Catalog Retail	1.41	11.24	61.16
			Multiline Retail	1.56	16.88	93.02
			Specialty Retail	4.57	17.16	40.44

# World MSCI Sector Performance to 30<sup>th</sup> April 2010

Sector	Sector Weight (in %)	Group	Industry	1 Month % Change	3 Month % Change	1 Year % Change	
CONSUMER STAPLES	9.9	Food & Drug Retailing		-0.77	5.77	17.10	
			Food Beverage & Tobacco	Beverages	-1.60	5.05	36.61
				Food Products	-0.89	6.19	37.83
		Household & Personal Products	Tobacco	-0.63	5.11	38.78	
				Tobacco	-4.74	3.06	30.27
			Household Products	-1.85	3.71	33.28	
			Personal Products	-1.95	3.16	30.49	
		Personal Products	-1.31	6.82	49.05		
HEALTH CARE	9.5			-3.12	-0.10	28.74	
HEALTH CARE	9.5	Health Care Equipment & Services		-3.89	1.89	39.57	
			Health Care Equip & Supplies	-3.04	1.54	39.63	
		Pharmaceuticals & Biotechnology	Health Care Providers & Services	-5.07	2.10	39.05	
				Biotechnology	-2.83	-0.82	24.82
				Biotechnology	-5.67	-2.97	10.07
				Pharmaceuticals	-2.80	-1.51	25.82
FINANCIALS	21.0			-0.30	10.13	41.25	
FINANCIALS	21.0	Banks		0.37	9.19	41.07	
		Diversified Financials		-0.86	12.64	43.51	
		Insurance		-2.56	7.46	37.29	
		Real Estate		2.45	12.60	43.59	
INFORMATION TECHNOLOGY	12.2			2.12	13.91	45.13	
INFORMATION TECHNOLOGY	12.2	Software & Services		0.76	8.90	38.69	
			Internet Software & Services	-5.37	3.75	34.12	
			IT Consulting & Services	1.48	7.66	38.97	
		Technology Hardware & Equip	Software	2.63	11.22	40.19	
				3.13	16.75	47.97	
			Communications Equipment	-1.81	10.33	17.21	
			Computers & Peripherals	5.39	19.78	65.34	
			Electronic Equip & Instruments	4.12	15.85	46.45	
			Office Electronics	4.35	23.24	49.37	
TELECOMMUNICATION SERVICES	4.0			-2.17	2.45	14.81	
TELECOMMUNICATION SERVICES	4.0		Diversified Telecomm Services	-2.23	0.50	11.49	
			Wireless Telecomm Services	-2.02	7.38	23.18	
UTILITIES	4.2			-0.76	1.91	13.54	
UTILITIES	4.2		Electric Utilities	-1.18	0.71	7.23	
			Gas Utilities	0.34	7.03	28.58	
			Multi-Utilities	-0.91	3.03	19.16	
			Water Utilities	-1.54	1.54	15.54	
TOTAL				0.51	9.41	36.75	

## Section 2: Global Style Analysis

# Style Investment Overview

## Recent trends

- Since March, Value stocks have outperformed Growth stocks as part of the sustained trend of Value outperformance in rising markets since 2002. However the difference between performance in Value stocks and Growth stocks is not as significant as it has been in past periods, perhaps the result of difficulties in defining whether or not a stock is value or growth, which become especially challenging in the recent times of economic change and uncertainty.
- In general small cap have performed strongly when equity markets have risen over the last ten years. However it is worth noting due to the specific nature of current economic conditions the prevailing credit uncertainty has negatively impacted small-caps more significantly than large-caps/mid-caps. This has resulted in mid-cap stocks outperforming in the initial phase of the recovery in equity markets, small-cap stocks have also outperformed large-cap in most regions though not as strongly as mid-cap.

## Valuations

- On an absolute basis, growth stocks look cheaper than value stocks when comparing them to their own history. Some caution should be taken as these averages include the extreme valuations of the bubble period. When making comparisons between growth and value there has been a compression in valuation measures which again seems to favour growth stocks. In most regions both styles trade on a similar PE ratio while the difference in dividend yield has also reduced to historically low levels.
- Recent strong price performance and low earnings of small/mid caps has left them trading at a substantial valuation premium to their history in the US and UK. In addition the dramatic fall in earnings of US financials, to losses in some cases, has left US large-cap stocks trading at meaningless PEs. Earnings are set to increase dramatically from their lows over the next year with the strongest earnings momentum coming from small-cap companies.

## What next?

- Company earnings and margins have fallen during a time of unfavourable business conditions as a result of the global economic downturn. Credit conditions remain uncertain and so we expect investors will pay a premium for strong balance sheets and revenue growth - a characteristic of growth stocks. Earnings momentum has been rising in developed markets due to anticipation of an economic recovery and as global economic growth rises back toward trend levels we would advocate a focus on higher quality growth stocks for the medium term. However the lack of differentiation between growth and value stocks is becoming apparent so investors may place more of an emphasis on sectors in the near term.
- Over the last few months small cap stocks performed strongly relative to large caps, mainly driven by low valuations, but uncertain credit conditions and high valuations now count against small-caps. We expect stock performance to be driven by revenue growth rather than valuations in the future. The sharp slowdown in economic growth since the middle of 2008 put large caps into a much better position as the chances of economic survival seemed greater compared to smaller, riskier firms. We expect size performance to remain volatile throughout 2010 as investors try to find the right balance between economic recovery investments and insulating portfolios from any set-backs in the economic outlook.



## Defining Style

- In principle, equity style can be any characteristic of a stock or portfolio of stocks that investors perceive to add value. In practice, we focus on the three most common investment styles: growth, value and size.
- In general, value companies are considered to have low valuations (commonly low price to book ratios) and low trend growth rates of sales and earnings, while growth companies have the opposite characteristics. Most data providers such as S&P Citigroup adopt a multi-variable rule to classify stocks.
- In the case of size companies are usually categorised into small, medium and large cap. This can be defined in absolute (companies over a certain market cap) or relative terms (top/bottom percentage of market cap).

## Why style matters

- To illustrate the importance of the style decision, during 2006 global value stocks outperformed growth stocks by over 6%, this reversed during 2007 with growth beating value by 5%. Different styles can also outperform for prolonged periods. Growth outperformed value for much of the late nineties before value took the lead from 2001 until last year.

## Style vs. Sector

- There is increasing overlap between the style and sector decision; underlying sector exposure is an important determinant of style performance.
- Sector biases within growth and value have changed dramatically over time. For example, in the early 1990s the growth universe was dominated by Financials. By the peak of the bubble Technology took over, accounting for over 40% of the growth index, up from 5% in 1990. **Today the growth index represents an overweight position in Technology, Healthcare, Staples and Energy with the underweight position coming mainly from Financials.**
- Over the last three years the growth vs. value decision has been synonymous with the Technology/Healthcare vs. Financials decision. This implies that it is important to consider the growth vs. value decision in terms of the changing relative sector biases of the two universes, and any sector preferences.
- Relative size performance is also heavily influenced by sector biases although to a lesser extent than growth vs. value. The large cap universe has consistently been dominated by Financials while the weights of technology and healthcare have increased significantly. **On balance global small (and mid) caps are overweight relative to large caps in Industrials, Consumer Cyclical and Basic Materials. Small caps are underweight in a range of sectors including Financials, Healthcare and Telecoms.**
- The scale of the sector biases within size indices tends to be much smaller than in the case of growth and value. Similarly the influence of sector performance on size performance is much less pronounced. Within sectors it is often the case that there will be a split between large and small cap performance; one example would be the energy sector where the smaller exploration and services companies have outperformed the larger integrated firms over the last couple of years.

# What drives growth & value performance?

## Cyclicality

- Prior to the technology bubble, value was consistently pro-cyclical, outperforming in periods of rising economic growth. Growth tended to outperform briefly during periods of falling global growth. During the bubble this reversed, reflecting the large weighting of the very cyclical technology sector in the growth index.
- More recently we have seen a reversion to pre-bubble cyclical patterns - a positive view on the cycle is consistent with a positive view on value relative to growth. Growth has outperformed when concerns over the sustainability of economic momentum have surfaced such as May/June 2006 and since the second half of 2007.

## Beta

- One determinant of relative performance of growth vs. value has been total market direction. This was especially true during the late nineties through to around 2002. The beta of growth rose dramatically relative to value reflecting the changing sectoral composition of the two indices and the tech boom and bust. During this period a positive view on total market direction implied a positive view on growth vs. value.
- Over the last few years growth and value betas have been converging, as the total market rallied strongly over the last three years value has outperformed, benefiting from a high weighting in financials and low weightings in laggards such as technology and healthcare. As with cyclicality, this may represent a normalisation of the style relationship to beta. Over the very long run value has tended to have a higher beta than growth.

## Duration

- Growth stocks tend to be high duration assets as much of the current market value is a function of distant future expected earnings. As a result there tends to be a close relationship between relative growth/value performance and the level of bond yields. Again this relationship broke down during the tech bubble.
- The recent strong performance in bond markets has been matched by noticeable outperformance from growth stocks. With bonds markets priced for a substantial slowdown, growth stocks benefit both from a lower discount rate for future earnings and an environment where investors are willing to pay up for more dependable earnings growth.

## Where are we now?

- The current concerns over the global growth background will not lift for some months, and we expect a slower-than-normal recovery in most developed markets. Most of the growth dynamics in the Emerging markets look more promising. Policymakers in these fast-growing economies, however, are likely to tighten both fiscal and monetary policy in coming months.
- Going forward growth and value performance is likely to remain closely tied to sector performance. Value has experienced a sharp rebound over the past few months on hopes that the worst of the credit-related losses in the Financials sector was behind us. Growth has seen better performance from IT and there are signs that areas such as Pharma, which has performed poorly in the previous cycle, look more attractive due to their stable earnings growth characteristics.

# What drives size performance?

## Cyclicality

- Small and mid cap indices have historically been pro-cyclical in all major regions. That is, they have tended to outperform in periods of rising economic growth. This reflects the high representation of cyclical sectors such as industrials, materials and consumer discretionary. Large cap on the other hand tends to be dominated by more defensive sectors such as healthcare and telecoms.
- Since mid 2003 small and mid cap stocks outperformed as global growth recovered. Market corrections during this market rally saw large cap outperform temporarily, but the second half of 2007 saw a more prolonged period of large cap leadership as concerns emerged over economic growth and financial conditions.

## Beta

- Total market direction has been an important determinant of relative size performance. During the nineties beta tended to increase with market capitalisation such that large cap stocks were on average higher beta than mid and small cap. This characteristic partly reflected the greater weighting of large cap stocks in high beta technology and financials.
- More recently the beta of small and mid cap stocks have jumped, suggesting that a positive view on market direction implies a positive view on small caps.

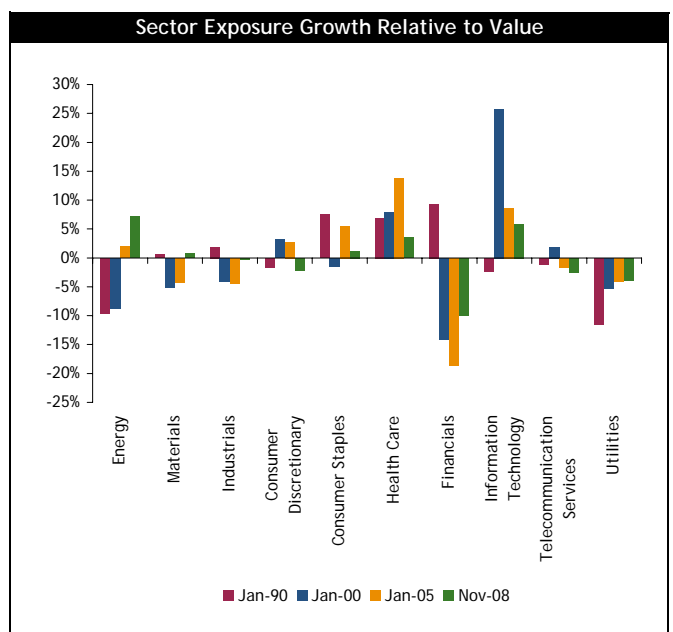
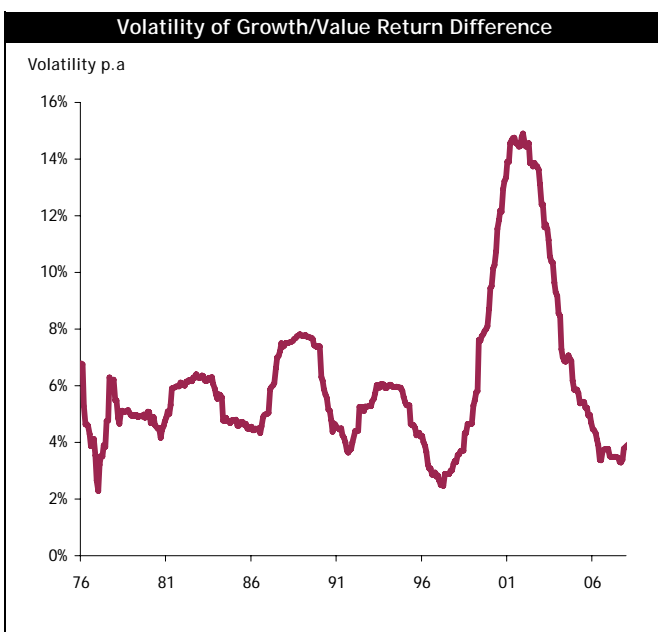
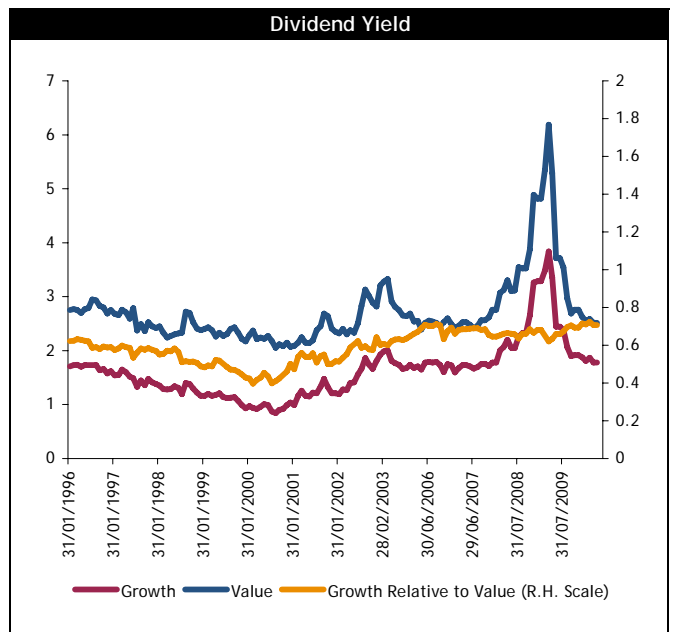
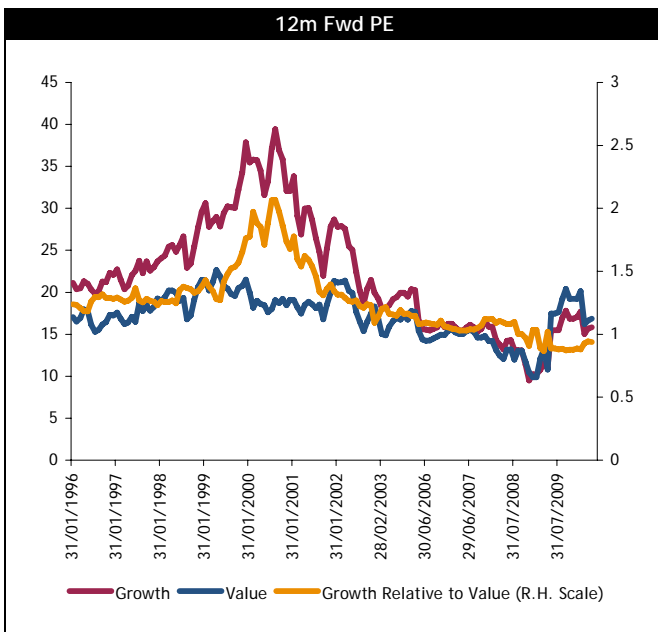
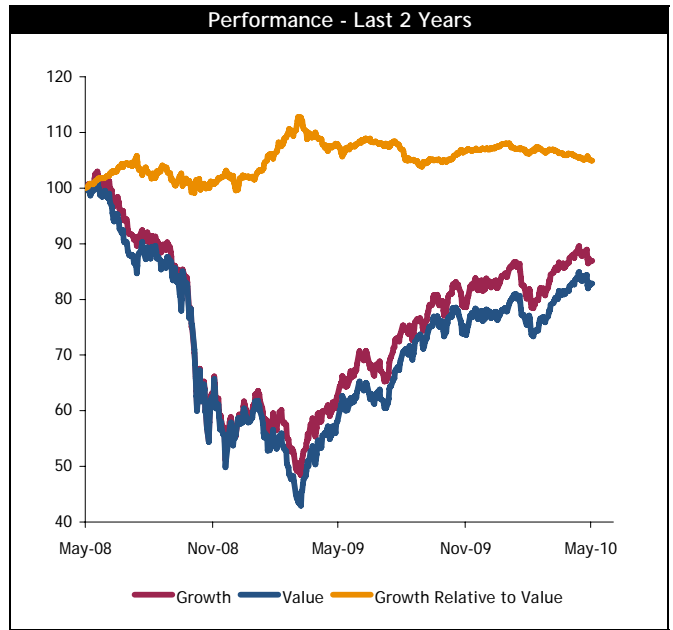
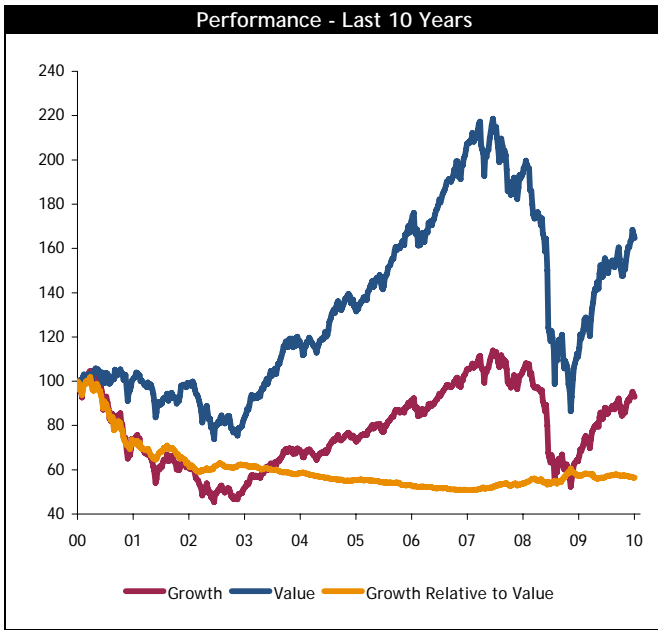
## Duration

- Historically size performance has had a strong relationship with the yield curve. Small and mid cap stocks have tended to consistently outperform in periods of steepening yield curves and falling short-term interest rates.
- However, small and mid caps have continued to outperform over the last couple of years as the yield curve has flattened. As we observed for financials, flat or inverted yield curves have usually been accompanied by weak economic growth, with growth holding up this may partly explain why this relationship has broken down.

## Where are we now?

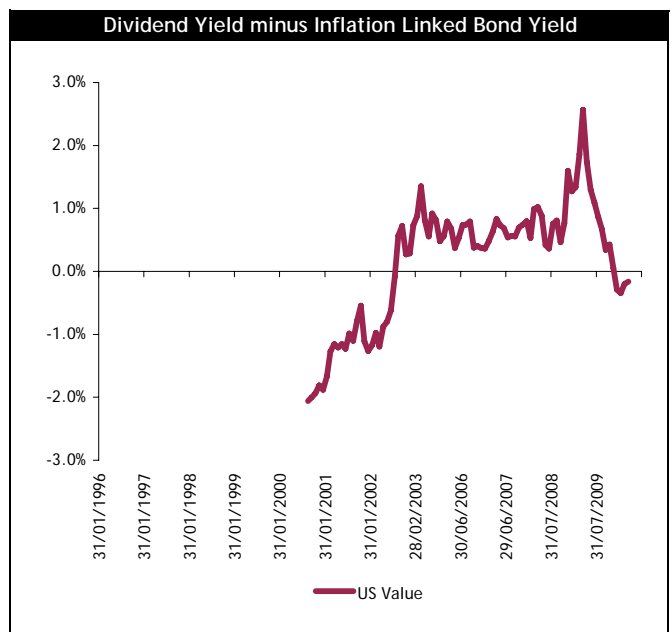
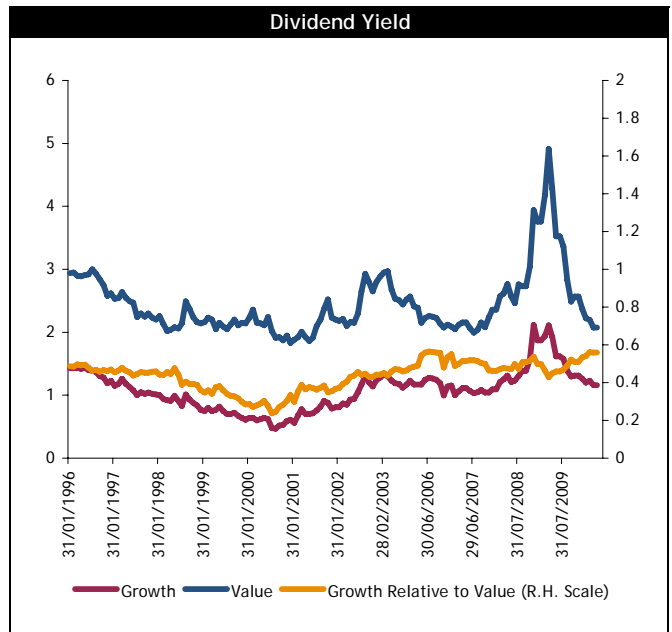
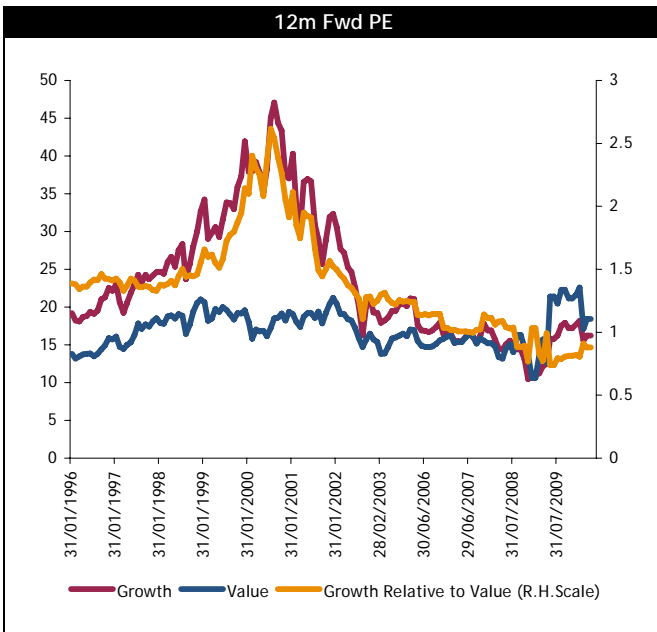
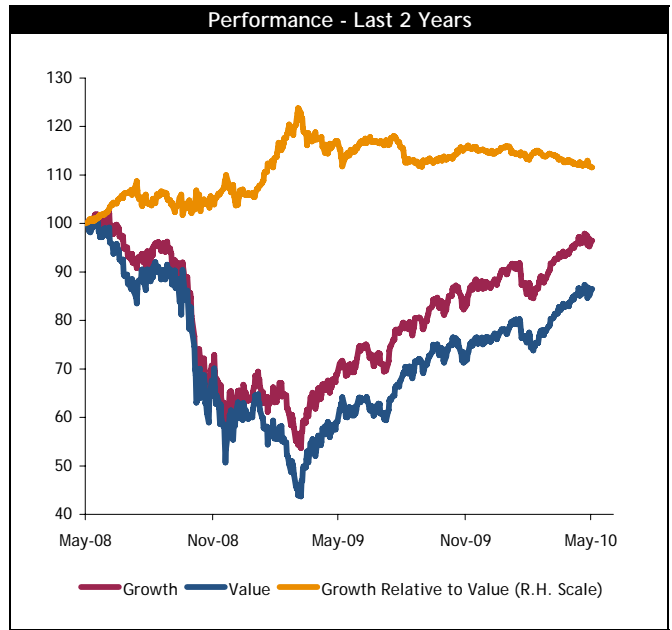
- Following unprecedented monetary and fiscal measures to stabilise the global economy we are beginning to see evidence of that economic growth is poised to resume in the second half but we expect that momentum will be slow to build. Key housing indicators have turned higher and factory surveys suggest that the inventory cycle has reached an advanced stage. Monetary policy has gained traction in credit markets and wealth losses have stopped. Still, continued restraints on consumers caution against anticipating a steep upturn in the economy over the next year.
- Small-cap stocks were hit hard by the credit crisis and the deep recession over the past few quarters. Having experienced one of the steepest declines in profits in recent history most smaller companies are expected to return to positive growth over the next few quarters. In previous cycle value stocks tended to outperform in the early recovery phase: a trend we expect to observe in the current economic recovery.

# Global Growth & Value



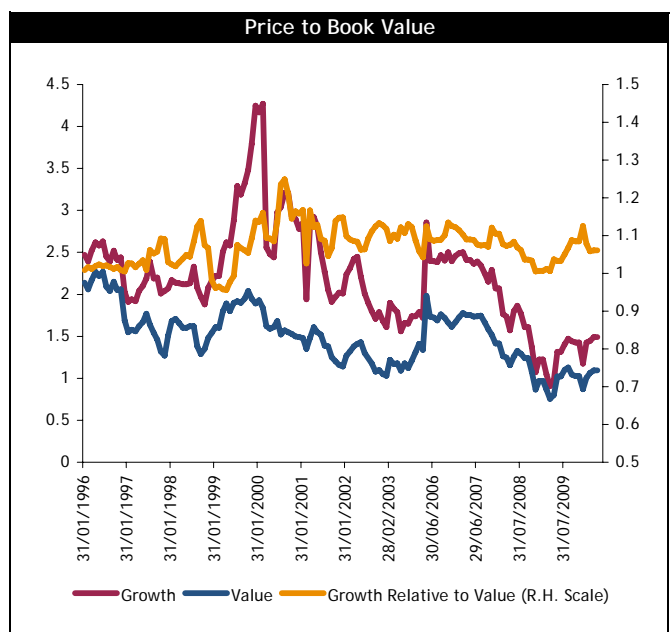
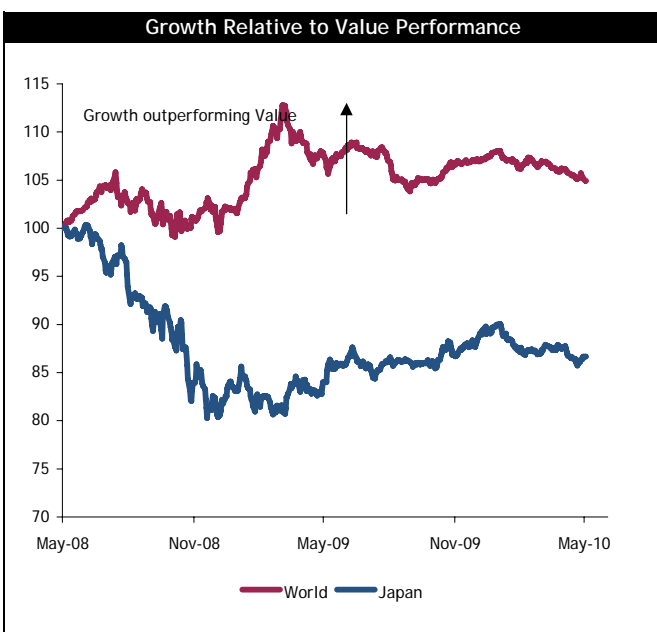
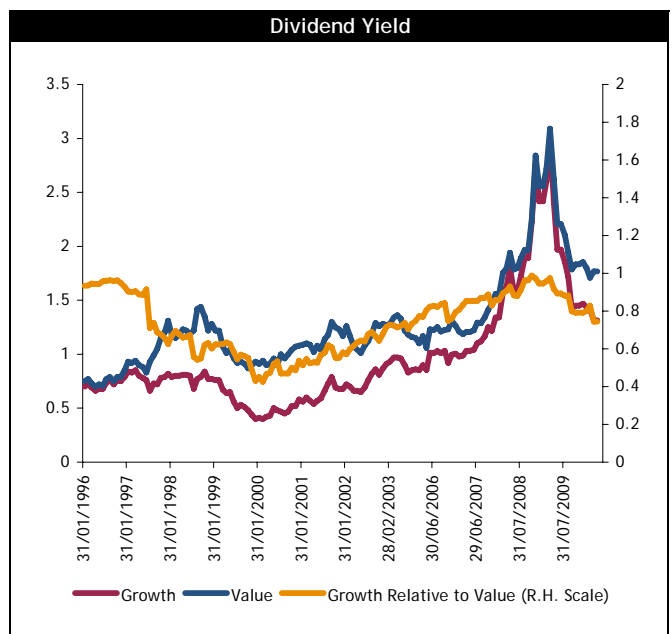
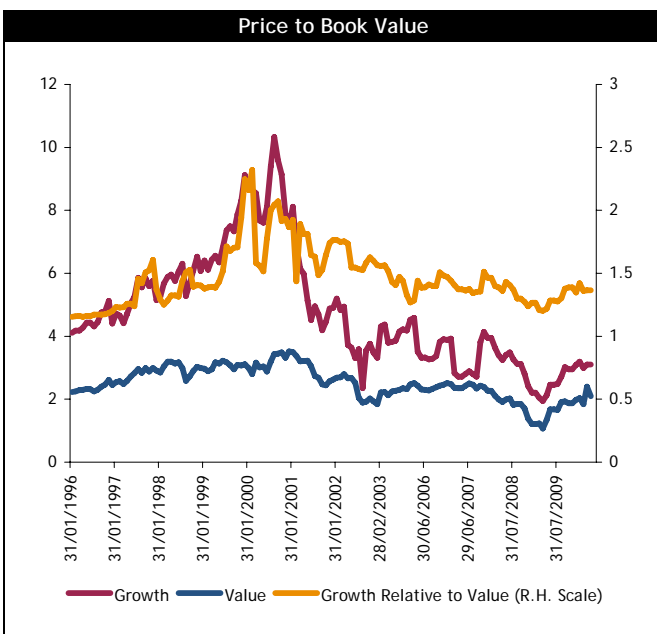
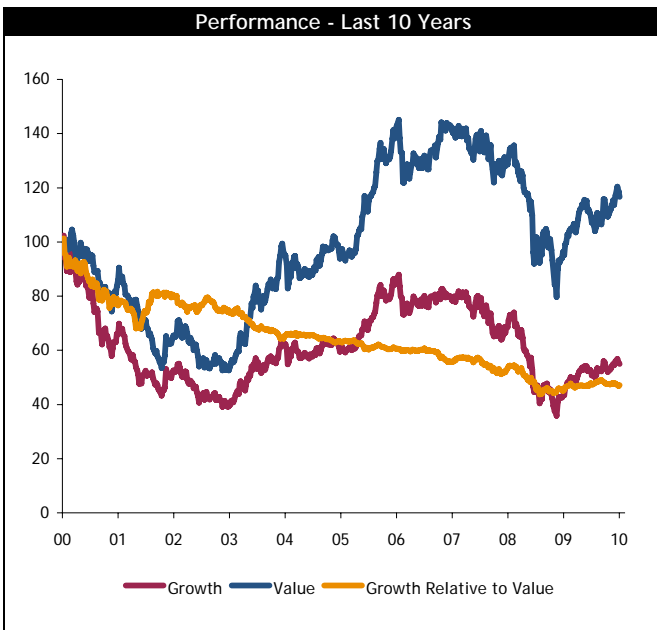
Source: Thomson Datastream, BlackRock

# US Growth & Value



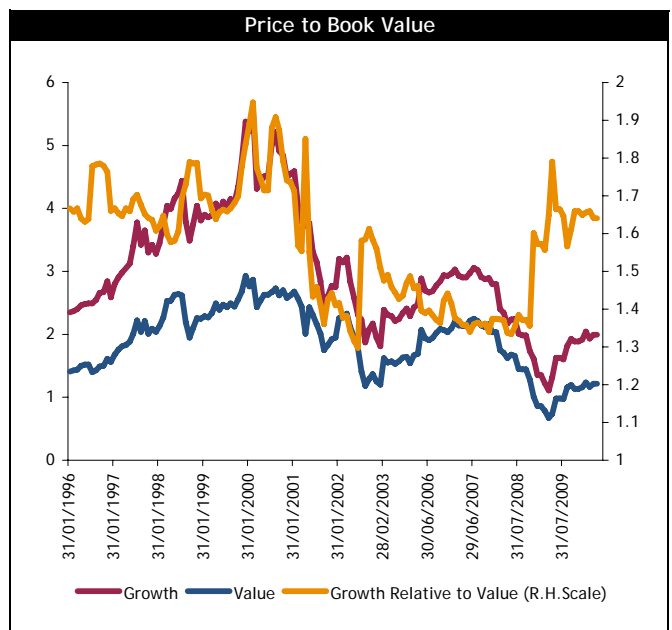
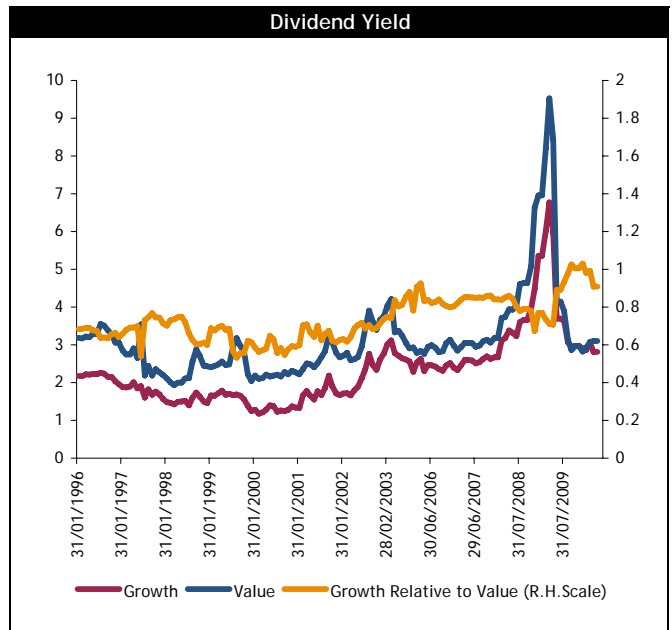
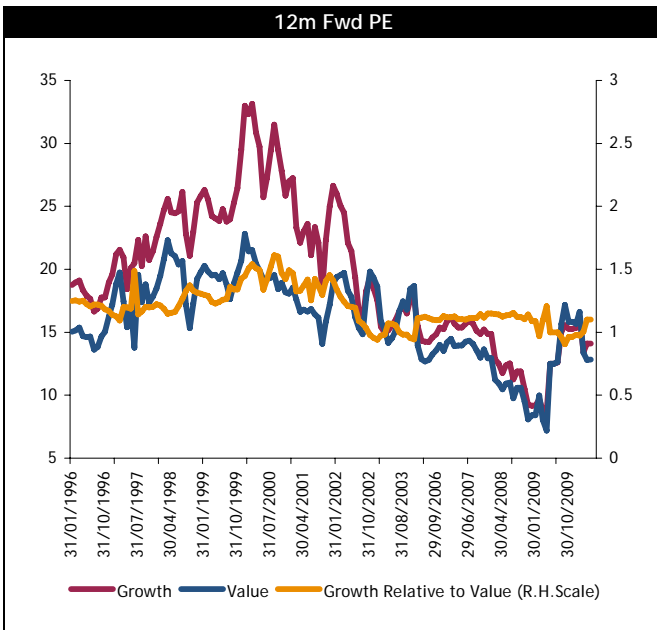
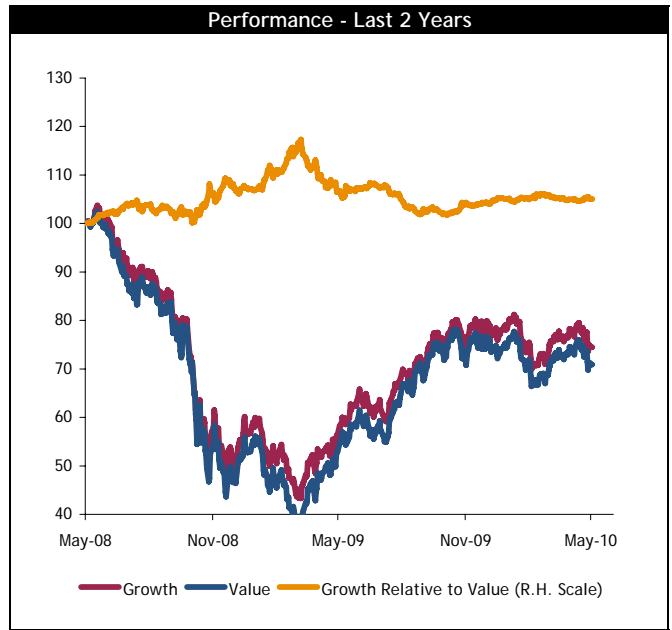
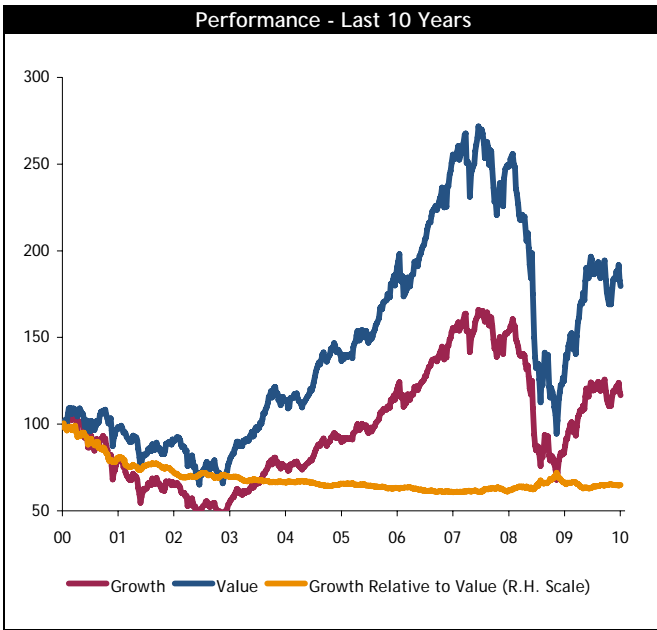
Source: Thomson Datastream, BlackRock

# Japan Growth & Value



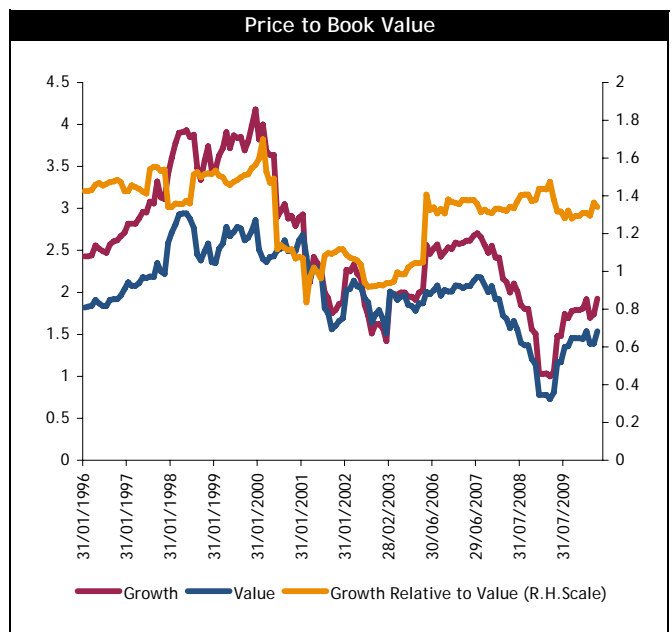
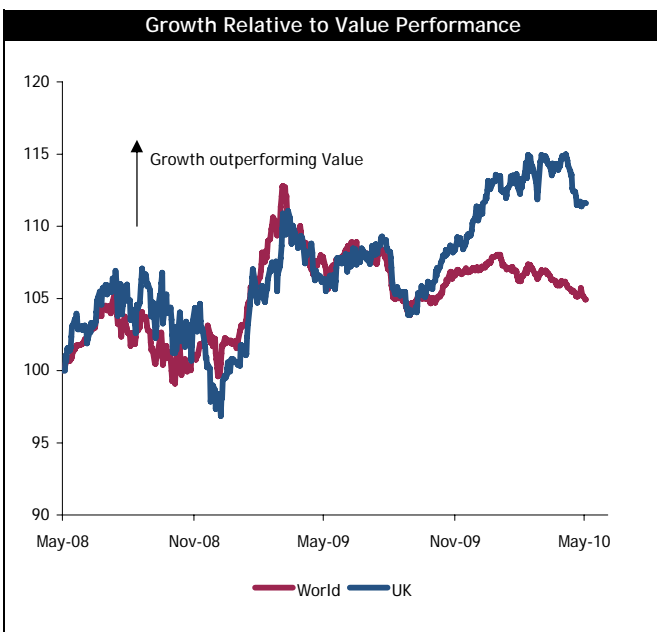
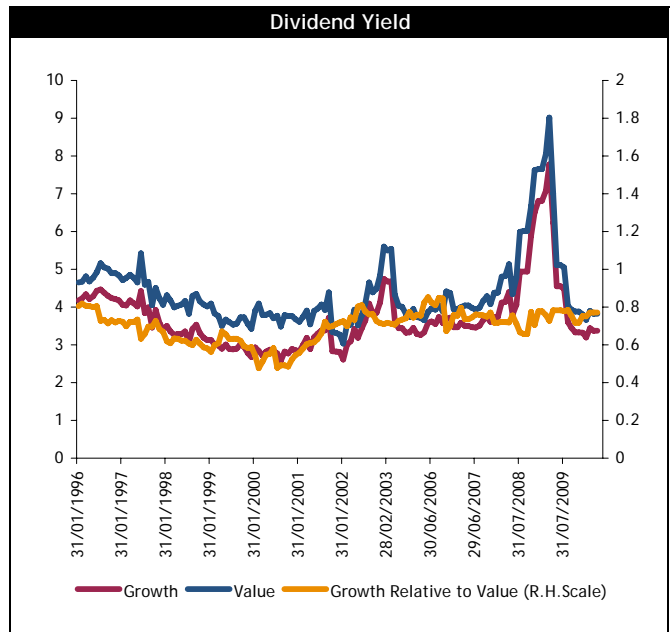
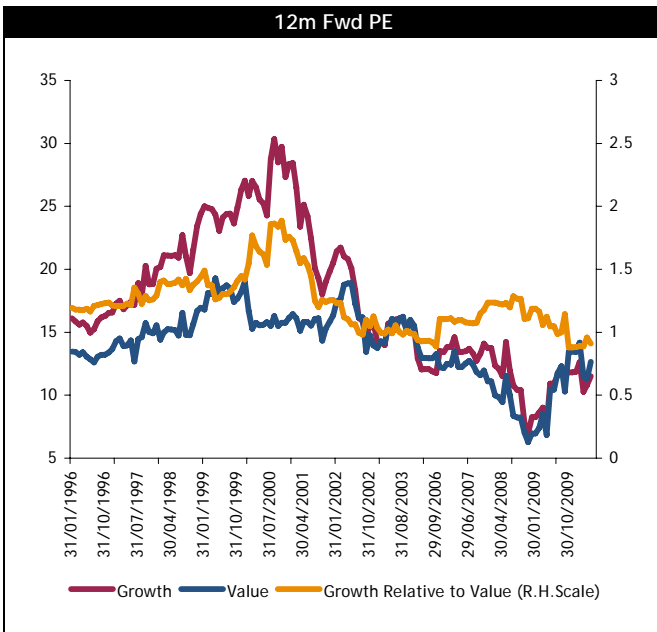
Source: Thomson Datastream, BlackRock

# Europe ex UK Growth & Value



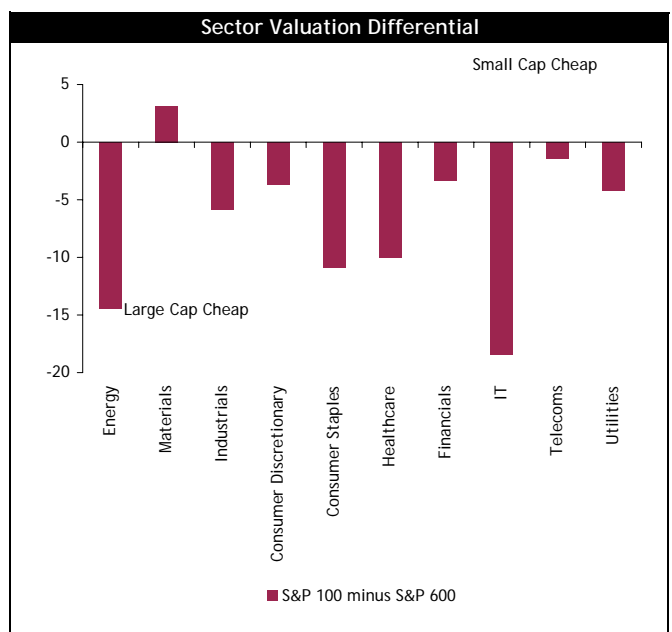
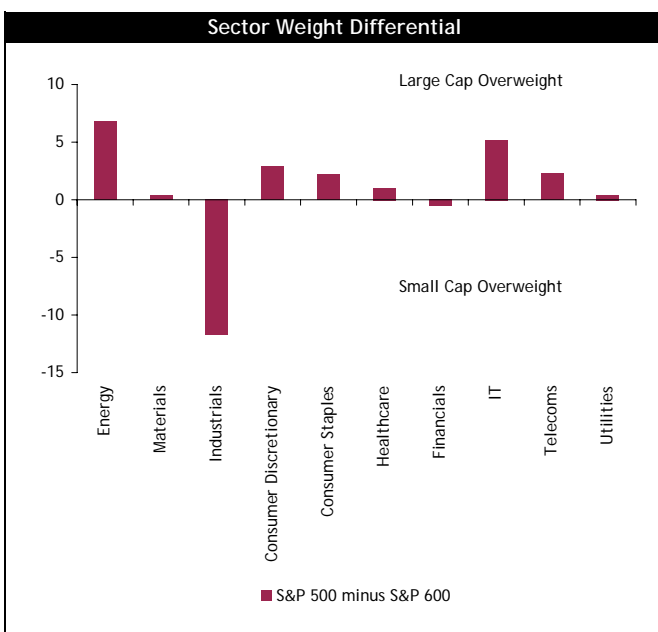
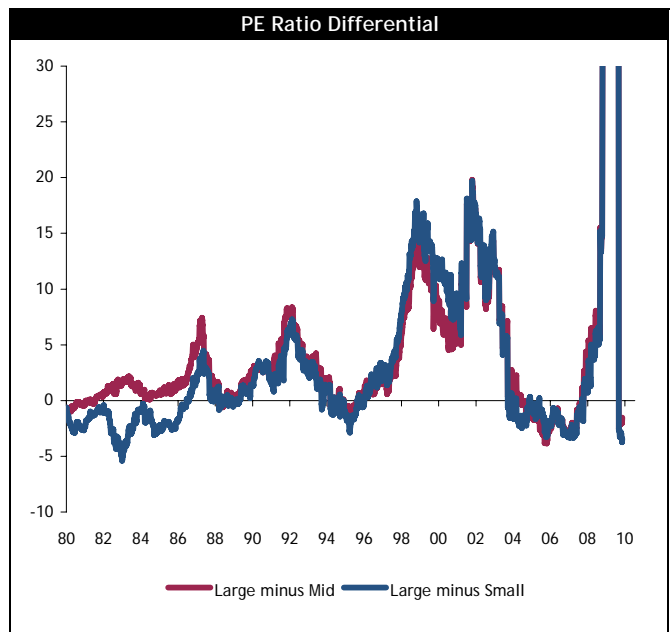
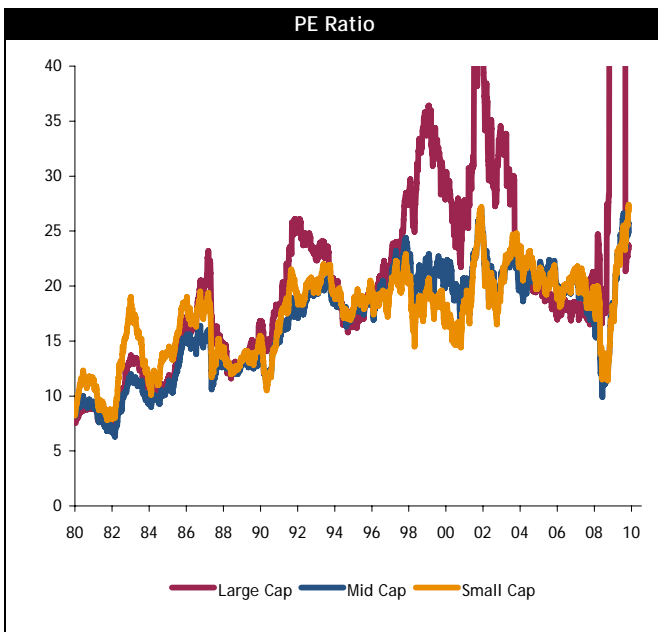
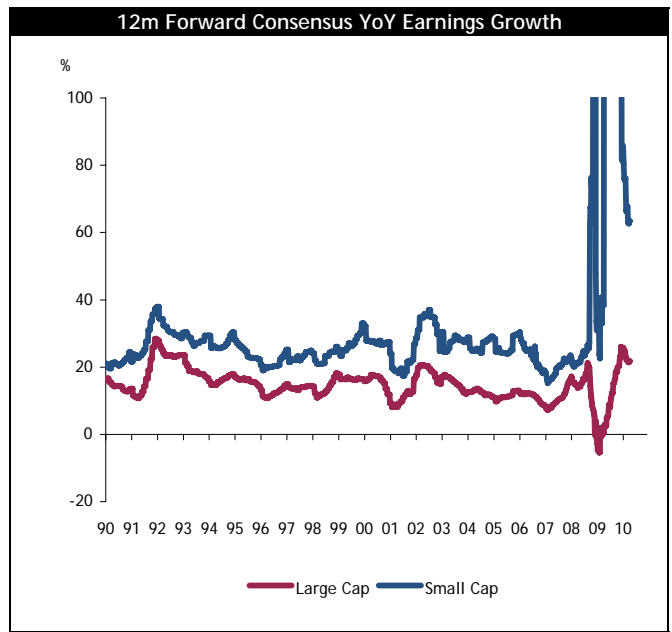
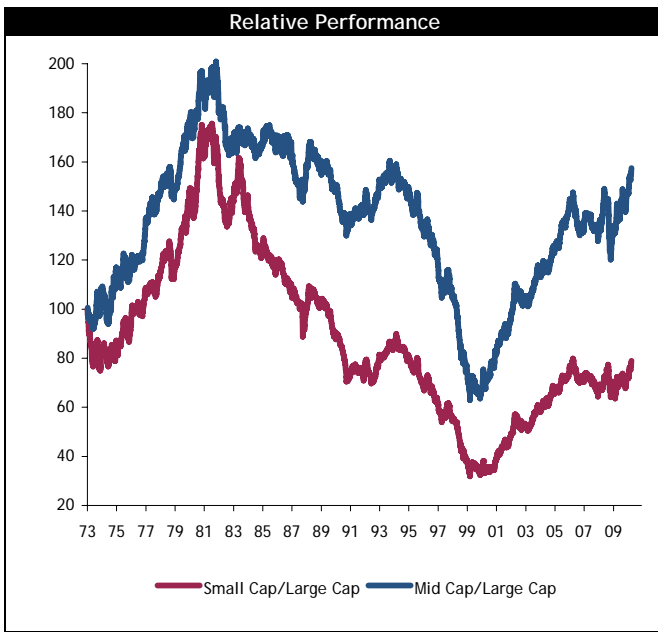
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# UK Growth & Value



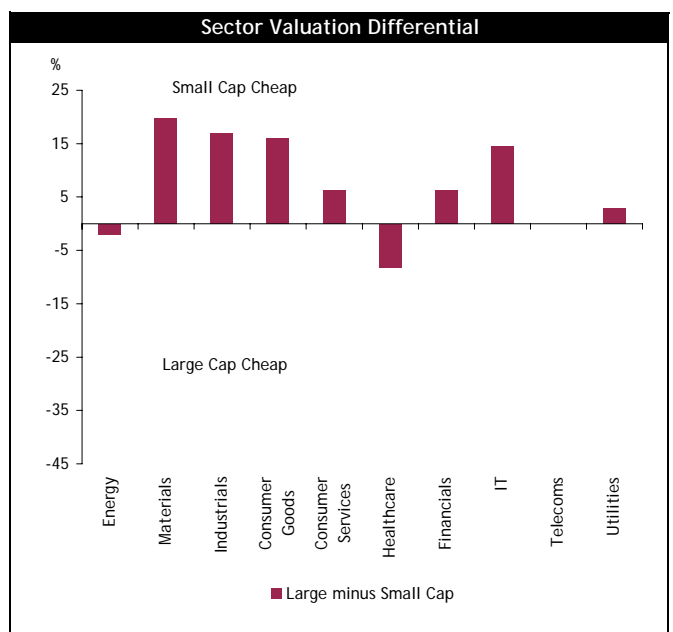
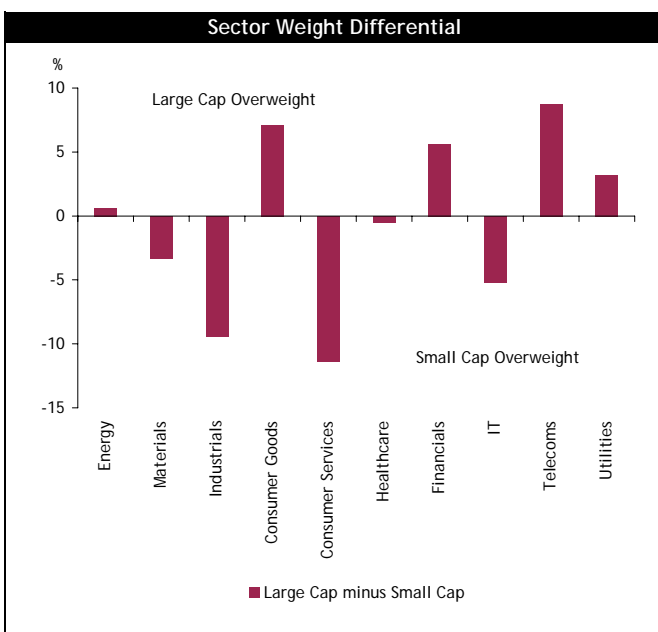
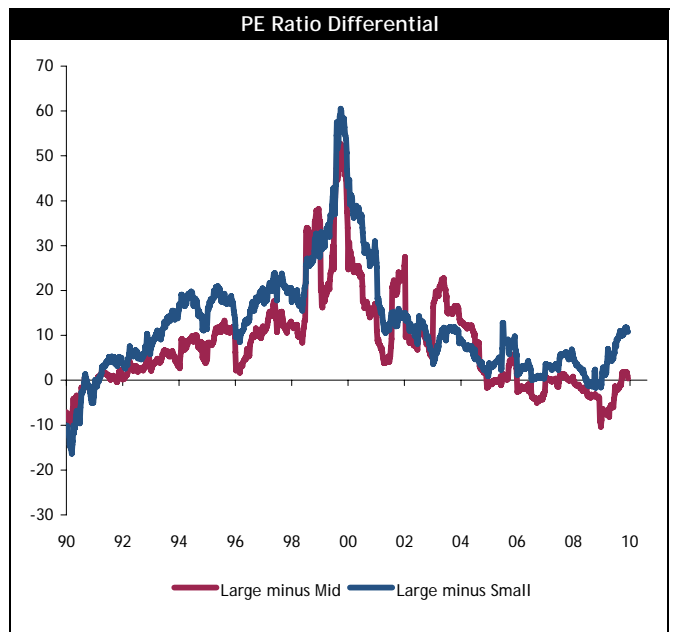
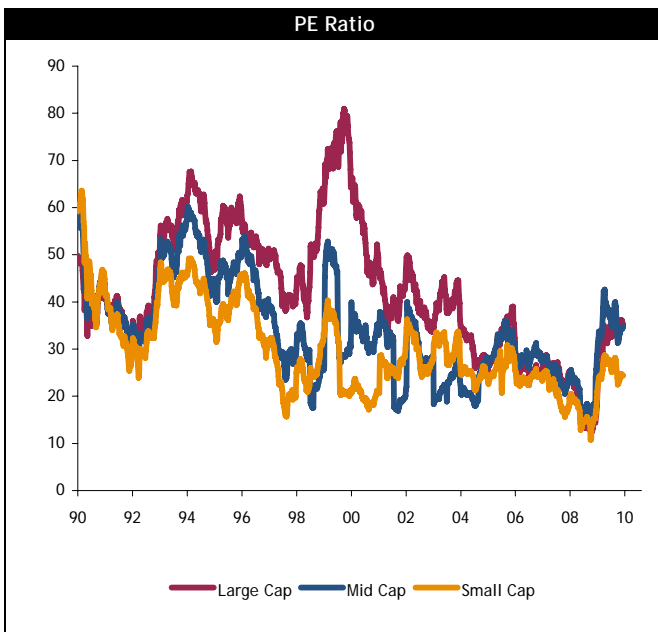
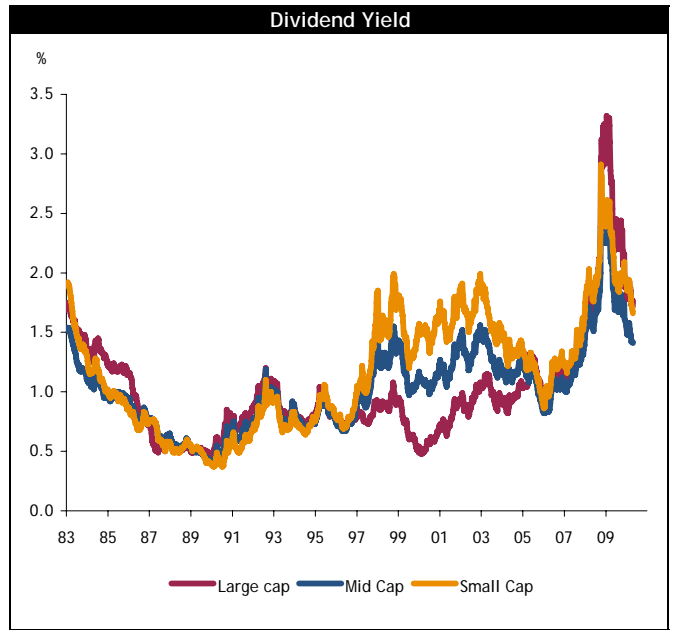
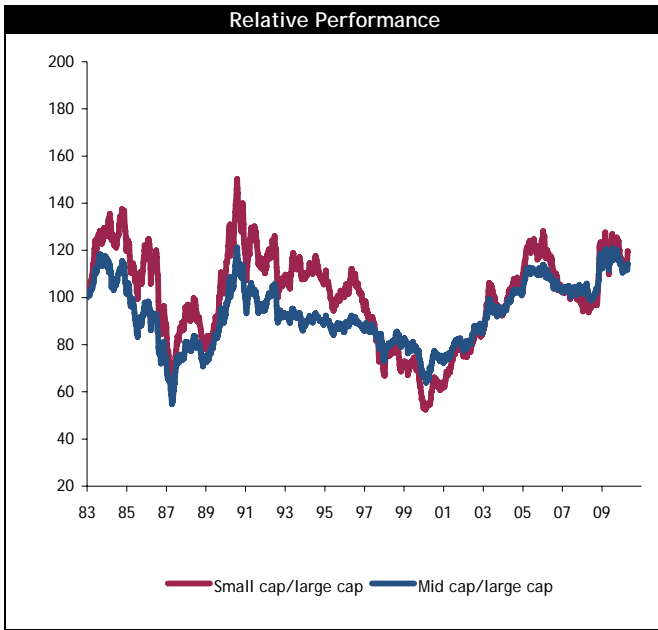
Source: Thomson Datastream, BlackRock

# US Large/Mid/Small Cap



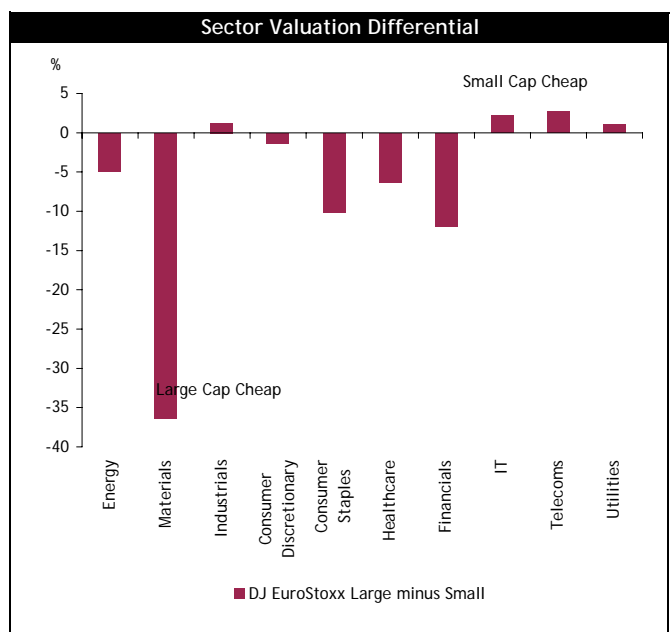
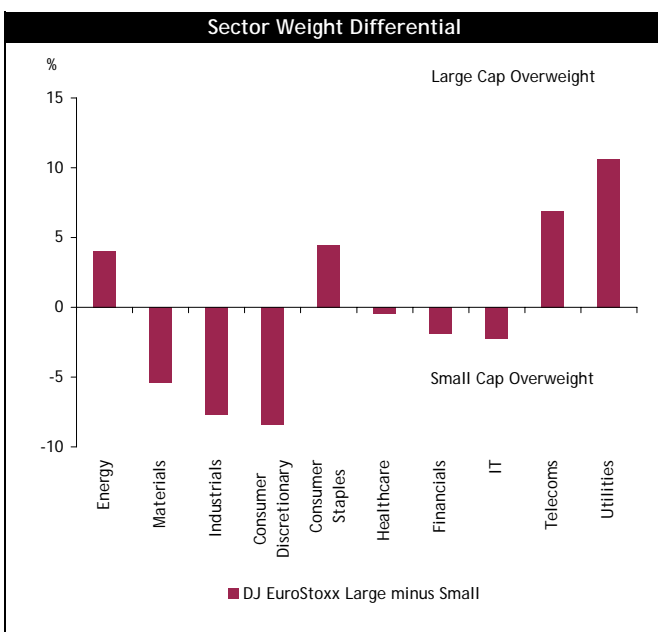
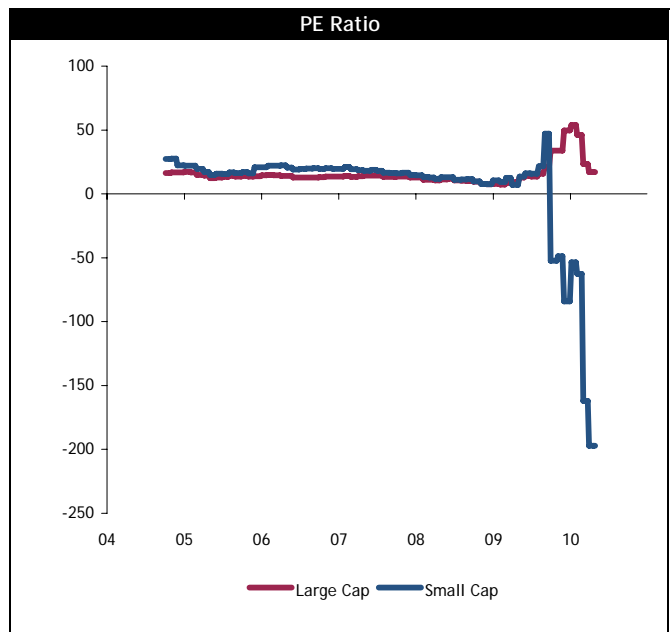
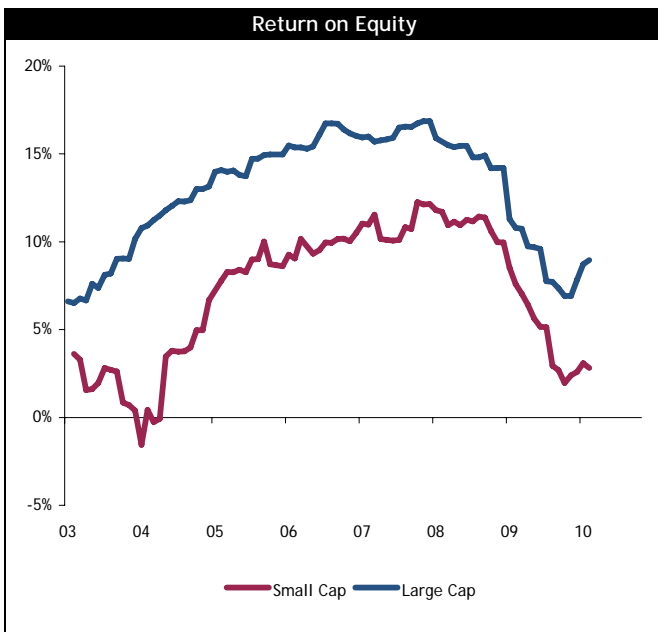
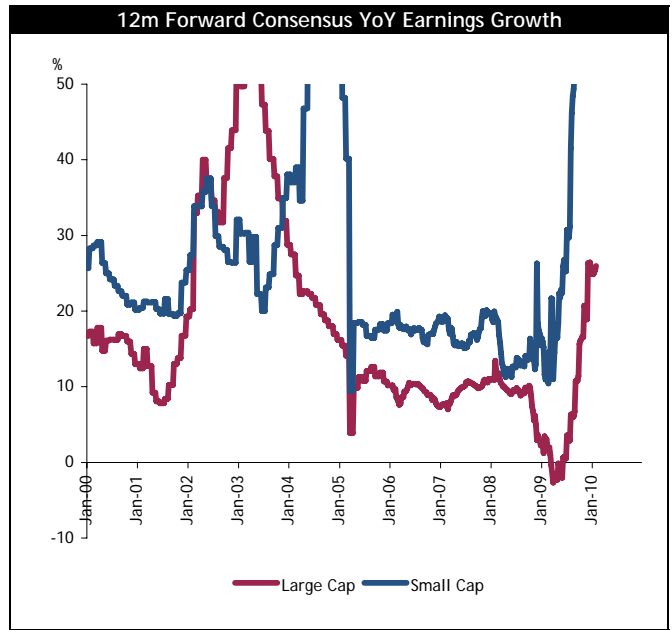
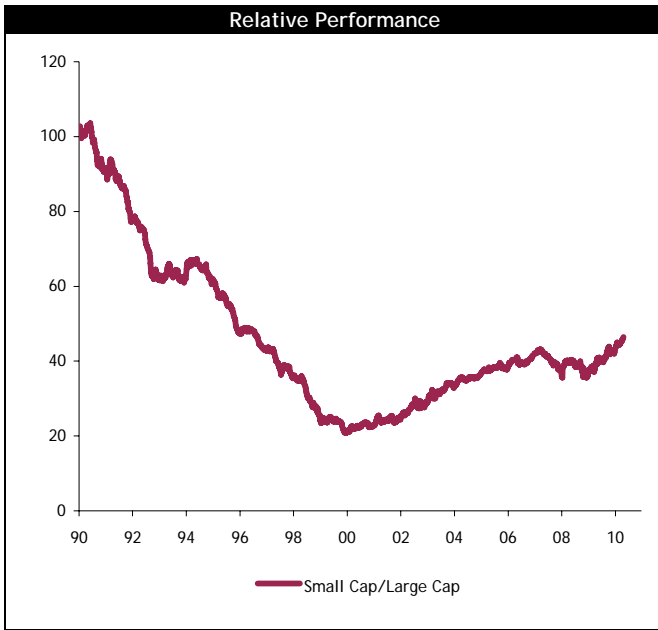
Source: Thomson Datastream, BlackRock

# Japan Large/Mid/Small Cap

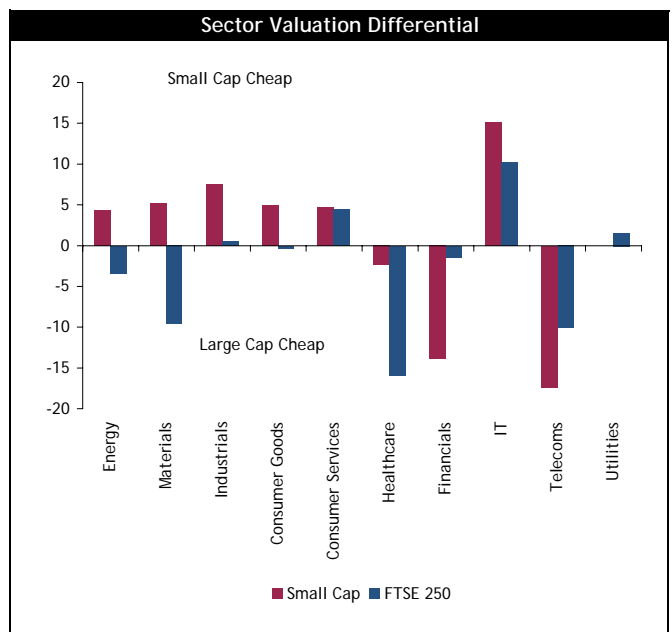
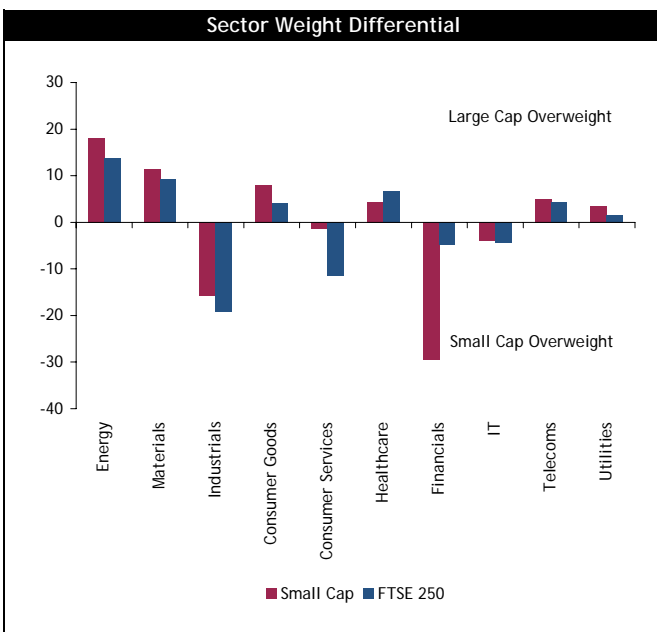
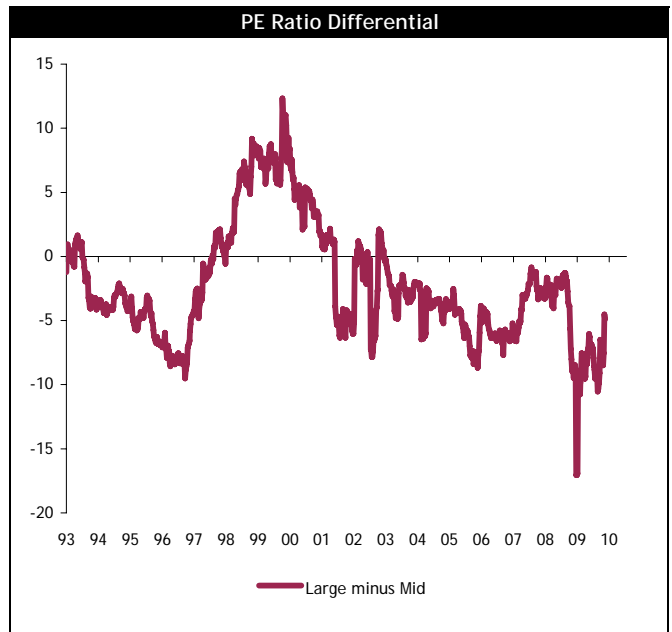
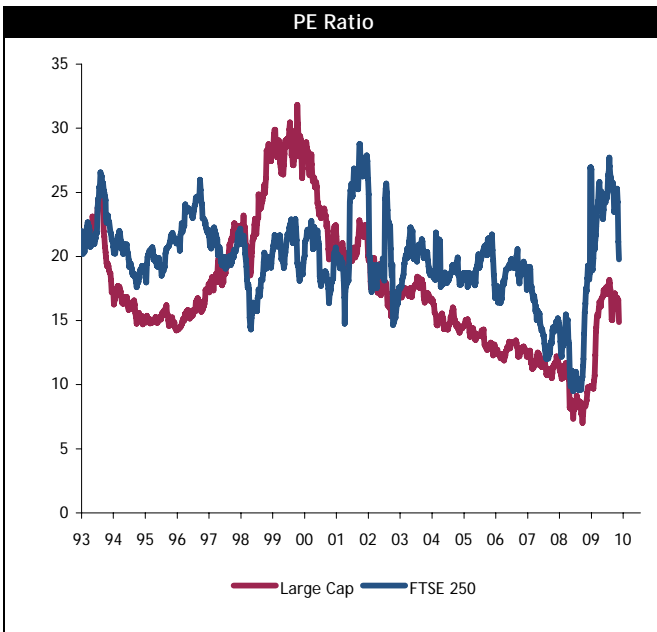
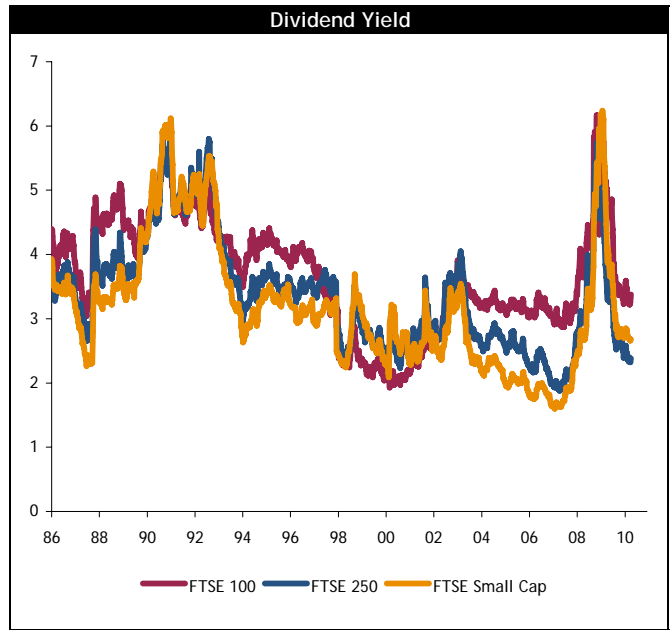
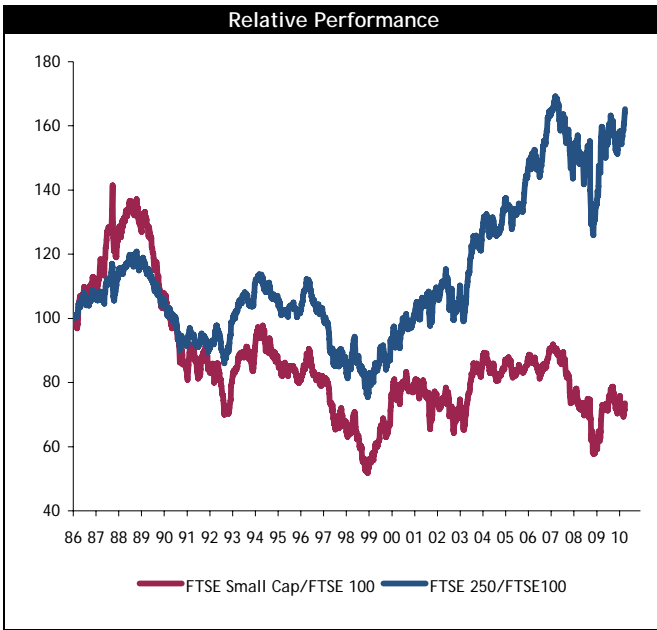


Source: Thomson Datastream, BlackRock

# Europe ex UK Large/Mid/Small Cap



Source: Thomson Datastream, BlackRock



Source: Thomson Datastream, BlackRock

## Summary of current style valuations as at 30<sup>th</sup> April 2010

	Price to Book		Price to Cash		Price to earnings		Dividend Yield	
	Current	Trend	Current	Trend	Current	Trend	Current	Trend
<i>World Markets</i>	1.9	2.5	1.3	9.7	16.3	19.4	2.2	2.2
<i>Growth</i>	2.4	3.4	0.9	13.0	15.8	22.1	1.8	1.6
<i>Value</i>	1.6	2.0	2.3	7.7	16.8	17.4	2.5	2.8
<i>Large Cap</i>	1.9	2.9	1.1	9.9	14.7	19.5	2.3	2.2
<i>Mid Cap</i>	2.0	2.1	6.6	9.1	26.4	18.9	1.7	2.4
<i>Small Cap</i>	1.5	1.8	8.4	9.7	30.8	20.0	1.5	2.3
<i>US</i>	2.5	3.1	0.7	11.0	17.3	18.4	1.6	2.1
<i>Growth</i>	3.1	4.6	0.4	16.1	16.2	22.4	1.2	1.3
<i>Value</i>	2.1	2.3	1.4	8.1	18.4	15.8	2.1	2.9
<i>Large Cap</i>	2.4	3.5	0.6	11.1	15.2	18.3	1.7	2.2
<i>Mid Cap</i>	3.6	2.4	9.6	12.6	36.3	17.9	1.3	2.3
<i>Small Cap</i>	1.9	2.1	9.9	10.9	37.6	21.7	0.9	2.0
<i>Japan</i>	1.3	2.0	6.8	11.5	33.4	47.5	1.5	0.9
<i>Growth</i>	1.5	2.4	8.7	14.3	28.8	41.0	1.3	0.7
<i>Value</i>	1.1	1.7	5.6	9.7	40.1	40.7	1.8	1.0
<i>Large Cap</i>	1.4	2.2	5.9	11.5	29.8	54.7	1.5	0.8
<i>Mid Cap</i>	1.1	1.8	14.0	11.9	42.1	35.0	1.5	0.9
<i>Small Cap</i>	0.9	1.5	6.8	12.1	68.2	-61.3	1.9	1.0
<i>Europe-ex UK</i>	1.5	2.1	6.2	6.3	13.4	17.4	3.0	2.7
<i>Growth</i>	2.0	2.8	7.0	7.9	14.1	19.0	2.8	2.2
<i>Value</i>	1.2	1.7	5.6	5.2	12.8	16.1	3.1	3.2
<i>Large Cap</i>	1.5	2.3	5.6	6.4	12.7	17.3	3.1	2.8
<i>Mid Cap</i>	1.4	1.8	20.2	6.1	18.9	17.1	2.3	2.7
<i>Small Cap</i>	1.4	1.5	7.1	6.0	22.9	17.1	1.9	2.9
<i>UK</i>	1.9	2.4	11.6	10.9	12.0	16.7	3.4	4.0
<i>Growth</i>	2.5	3.3	10.7	13.3	11.5	17.5	2.9	3.3
<i>Value</i>	1.5	1.9	12.8	9.3	12.7	14.7	3.8	4.6
<i>Large Cap</i>	1.9	2.5	13.9	11.2	11.4	16.1	3.5	3.9
<i>Mid Cap</i>	2.2	2.1	8.2	10.0	16.1	14.8	2.6	4.3
<i>Small Cap</i>	1.8	2.0	3.3	10.8	14.9	15.8	3.1	3.8

Top-down valuations - Price to book, price to cash earnings and dividend yield figures are top-down sector aggregates; the trends are 12-year historic means. In the case of Japan, periods of negative earnings can prevent the construction of a useful mean figure

Bottom up valuations- Implied growth figures are annual percentage growth rates derived from bottom-up, company-specific calculations; the trends are 12-year historic means.

Source: Citigroup, BlackRock

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