

# Fund in Focus

BGF World Healthscience Fund

NOVEMBER 2009 FOR PROFESSIONAL INTERMEDIARIES ONLY



# BLACKROCK

## Fund manager



**Robert Hodgson**

Fund manager of BGF World Healthscience since December 2005.

**Years at BlackRock: 12**

“The outlook for healthcare investments worldwide is attractive. Valuations for many of healthcare’s sub-sectors are near historic lows which, in our opinion, offer long-term investors excellent prospects for capital appreciation.”

## Fund objective

The Fund seeks to maximise total return. The Fund invests globally at least 70% of its total assets in the equity securities of companies whose predominant economic activity is in healthcare, pharmaceuticals, medical technology and supplies and the development of biotechnology.

		Global Sector Funds
Stockmarket Capitalisation	Large	40-70 stocks
	Mid	
	Small	

The number of shares quoted for the Fund is indicative and actual numbers may fall outside of the ranges shown

## Management style

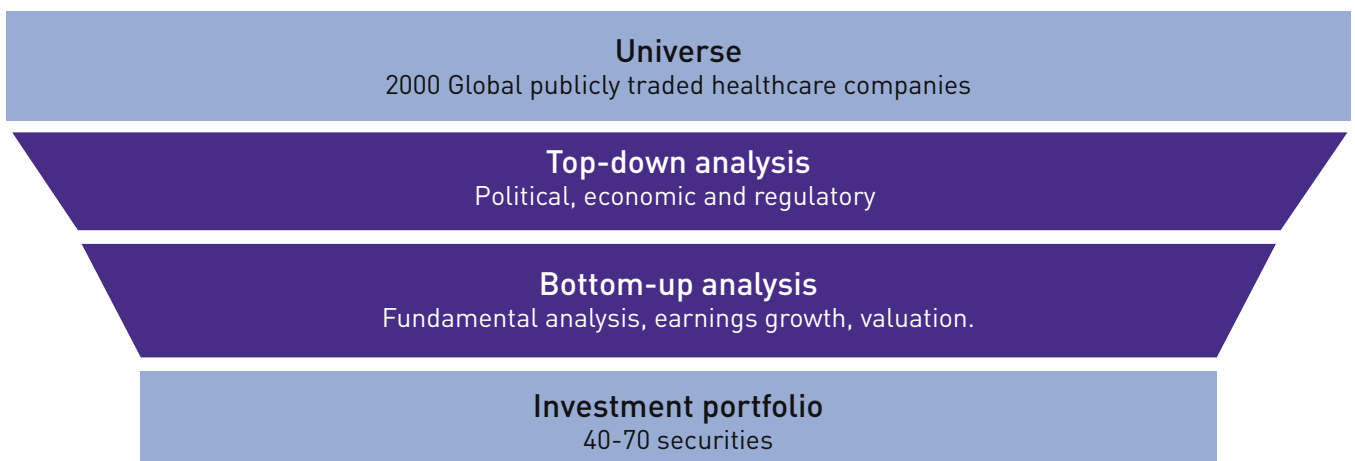
The Fund aims to invest in healthcare stocks across various sub-sectors, capitalisations, and geographies. Over time, having the ability to invest across a wide variety of healthcare industries enables the portfolio manager the ability to pursue

the best growth opportunities, wherever they may be found. The Fund typically holds 40-70 stocks with attractive earnings and/or revenue growth potential.

## Investment process

The portfolio manager focuses on earnings growth and valuation by combining a top down view of the economic and political environments with a bottom-up stock selection process.

This can be best illustrated using the diagram below:



## Top down analysis

Market cap concentration and industry weights are determined by management's strategic views of the overall investment environment, both within and beyond healthcare, based on the political, economic and regulatory environment. The key financial and market indicators that we consider at this stage include:

- ▶ Macro economic data
- ▶ Economic growth forecasts
- ▶ Equity market conditions

## Fundamental analysis

Stock research is a fundamental bottom-up process that focuses on analysing the sales potential of new products and estimating the degree to which revenues will translate into earnings.

The core areas of fundamental research are:

- ▶ In depth direct interaction with company management in addition to medical, scientific, and industry contacts
- ▶ Estimating earnings growth potential
- ▶ Projecting degree to which sales of new or existing products translate into earnings
- ▶ Utilising valuation metrics appropriate to specific sub-sector
- ▶ Studying industry supply/demand dynamics

## Buy / sell process

Buy / add	Sell / reduce
Positive fundamental catalyst we believe will lead to upside in earnings potential (e.g. pipeline or scientific developments)	Deterioration in fundamentals (e.g. pipeline or scientific developments)
Favorable political, economic, or regulatory change	Unfavorable political, economic, or regulatory change
Attractive valuation	Strategic change in industry allocation
Attractive dividend yield as source of income and downside support	Company fully valued

## Portfolio characteristics

The Fund aims to be fully invested, typically holding between 40-70 stocks with no single stock exceeding 10% of the value of the Fund. Non-US investments typically range between 10-35% of assets depending on market conditions. The Fund's turnover has ranged from 100-200%.

The Fund aims to be diversified across four main sub-sectors of healthcare (pharmaceuticals, biotechnology, healthcare providers & services, and healthcare equipment) with a maximum exposure to each typically 30%. Over time, alpha has been generated by both industry allocation and stock selection decisions.

## Investment outlook

The uncertainty of U.S. healthcare reform and the outperformance of cyclicals have weighed on healthcare stocks for much of 2009. In spite of these circumstances, we continue to believe the sector offers investors compelling defensive, growth exposure. Fundamentals continue to improve as technological advances and product innovation bode well for areas like genomics, drug development, and drug delivery companies. These opportunities, coupled with the tailwinds of an aging population in developed economies and the emergence of the middle class within the developing world, should provide ample growth potential for a variety of healthcare industries into the future.

As a result, the Fund is well diversified across healthcare's sub-sectors, placing particular emphasis on biotechnology names where there remains upside from new drug discoveries and product innovation. As well, we have found attractive risk/reward opportunities within the healthcare equipment & supplies industry where lower degrees of economic sensitivity have led to more sustainable growth rates.

Despite the day-to-day fluctuations of healthcare reform, we continue to see the worst-case scenario as unlikely and believe possible winners will come from industries driven by volume increases and/or the ability to offset any possible fee/reimbursement cuts.

## Awards and ratings

The Fund has been awarded five first place awards during 2008 and 2009 from Morningstar and Lipper across Switzerland, Hong Kong, the Gulf, UK and Germany.

- ▶ The Fund is rated AA by Standard & Poor's and in their opinion dated January 2009, they comment: "We believe that Hodgson has a clear and sensible view of how to manage this fund. He displays a solid stock knowledge and risk awareness. With 24 years' investment experience, he is among the most experienced fund managers in the sector".



## Fund Manager profile

Robert C. Hodgson, Director and portfolio manager, is a member of BlackRock's Healthcare Equity Team.

- ▶ Bob's service with the firm dates back to 1997, including his years with Merrill Lynch Investment Managers (MLIM), which merged with BlackRock in 2006. At MLIM, he was the associate portfolio manager for the Merrill Lynch Healthcare Fund. From 1995 to 1997, Bob was a Vice President and healthcare research analyst with United States Trust

Company. From 1990 to 1995, he was a Director and pharmaceutical research analyst at Cowen & Company. He spent five years with Oppenheimer & Company as a Senior Vice President and healthcare research analyst, and earlier was a pharmaceutical research analyst at Shearson Lehman from 1982 to 1985.

- ▶ Bob earned a BS degree in geology in 1973, and an MBA degree in 1979 from the University of North Carolina.

## Investment Team

- ▶ The Fund is managed by Robert Hodgson who has 26 years of experience investing in the healthcare sector and has developed a strong performance track record. While Bob works independently in researching and constructing the Fund on a daily basis, he readily leverages the expertise and insights held by the broader bench of equity portfolio managers and analysts throughout BlackRock.

- ▶ Based out of BlackRock's Princeton office, Bob sits in close proximity to several of BlackRock's leading equity teams. In addition to the informal conversations held each day with senior professionals assigned to healthcare on their respective teams, there are multiple firm-wide forums to express opinions and debate pertinent market topics in which Bob regularly participates. Bob is also responsible for chairing a firmwide healthcare sector meeting once a month.

## Key facts

Fund manager	Bob Hodgson	A shares Bloomberg code	MERHLTA LX
Appointed to fund	December 2005	Benchmark	MSCI World Healthcare Net
Years at BlackRock	Twelve	Base Currency	US\$
Fund launch date	06.04.2001	Other Currencies:	€
A shares ISIN code	LU0122379950	Swiss valoren (A shares)	1211929
		Reuters code: (A shares)	BLRKIO

## Where this Fund features in our range

# Global Sector Funds

		World Gold	World Energy	World Health Science	World Financials	World Technology	World Mining	New Energy
Stockmarket Capitalisation	Large							
	Mid	50-80 stocks	40-60 stocks	40-70 stocks	50-75 stocks	35-55 stocks	50-80 stocks	60-90 stocks
	Small							

The number of shares quoted for each Fund is indicative and actual numbers may fall outside of the ranges shown.

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