



Report date January 2010

## BLACKROCK GLOBAL FUND US BASIC VALUE FUND

Sub-fund of Luxembourg domiciled Sicav - Part 1

Fund owner: BlackRock Investment Managers

Fund manager: BlackRock Investment Managers

### Named portfolio manager(s):

Kevin Rendino (since January 2000), Kurt

Schansinger (since January 2009)

Peer group: US Mainstream Equities

Location: Princeton, USA

Launch date: January 1997

Fund size (September 2009): US\$1.5bn

Contact group: +352 342 0101 or

www.blackrock.co.uk

Further information on S&P's fund coverage can be found at [www.FundsInsights.com](http://www.FundsInsights.com)

### Investment style

|           | Value | Blend | Growth |
|-----------|-------|-------|--------|
| Large-Cap |       |       |        |
| Mid-Cap   |       |       |        |
| Small-Cap |       |       |        |

### Performance statistics

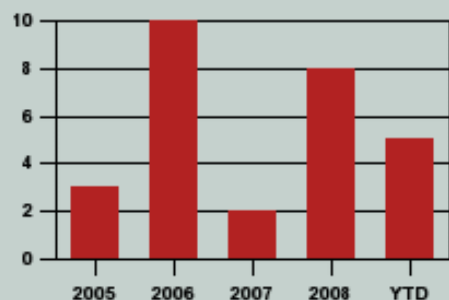
|                               | 3 Years  |
|-------------------------------|----------|
| Fund                          | -19.8%   |
| Standard & Poor's peer median | -17.2%   |
| Index**                       | -15.5%   |
| Fund rank                     | 909/1398 |

Note: returns are cumulative

### Three-year risk characteristics

|                      |        |       |
|----------------------|--------|-------|
| Maximum drawdown (%) | Medium | -52.2 |
| Volatility           | Medium | 20.3  |
| Correlation          | High   | 0.9   |
| Beta                 | Medium | 1.0   |

### Calendar year decile ranks



Decile ranking in discrete annual periods. First decile shown as rank 10, second decile as rank nine, with tenth decile as rank one.

Performance data source - © 2009 Morningstar, Inc. All rights reserved. All statistical data on this report has been run to 30/09/2009 on NAV to NAV basis, with gross income reinvested, in US Dollars.

### Standard & Poor's opinion (November 2009)

This fund has seen some changes over the past year, however the most important areas - lead fund manager and process - are unaltered.

Although Kevin Rendino remains, the previous co-head of team and secondary manager on this portfolio, Bob Martorelli, retired at the start of 2009. As a result, there has been a merger of the basic value and balanced capital teams that resulted in a net loss of one analyst from this team. Joiners were analyst Brooke Williams and experienced portfolio manager Kurt Schansinger. All are now dedicated to this value approach, with Schansinger managing around \$200m himself. Although it will take time for the two managers to develop a strong working relationship, Rendino is clearly using Schansinger as a sounding board and has known him for some time as part of the wider BlackRock team.

There have also been two further changes to the fund. The first was the merger into this fund of the BGF US Focused Value and the second was a recent change in benchmark from the S&P 500/Citigroup Value index to the Russell 1000 Value index. Neither has had any material effect on the fund.

Despite the above changes the flexible value-oriented approach is unaltered, with Rendino adding his own top-down views to the fundamental stock analysis. The value screening process remains and performance over the past year has been strong.

Overall, despite the changes highlighted above, the team remains reasonably well resourced and this, together with our regard for the manager and process, allows the fund to retain its S&P AA rating.

### Fund manager & team

Following recent changes, the BlackRock US basic value team is headed by Kevin Rendino. Senior manager, Kurt Schansinger joined the team in December 2008, to succeed Bob Martorelli who retired in January 2009. Rendino and Schansinger are supported by four dedicated US sector analysts with average experience of 17 years: Gerri Gunn (26 years), Carrie King (23), Chris Parilman (eight) and Brooke Williams (11) who also joined in December 2008.

Kevin Rendino - finance (Boston College), joined MLIM (now BlackRock) in 1990 as a research analyst, becoming a fund manager in 1993 and co-head of the basic and focused value team in 1999.

Kurt Schansinger - finance (Georgetown University), MA international business (Netherlands School of Business), MBA (New York University), began his career in 1982 with Prudential and moved to Oppenheimer as a fund manager, before joining MLIM in 1996. He was managing the Balanced Capital Fund and associated products until moving to the basic value team in December 2008.

### Management style

The fund is managed in a disciplined manner aiming to outperform the Russell 1000 Value index and the peer group.

Portfolio construction begins with screening companies capitalised above \$10bn on four valuation criteria: price-to-book ratio less than half that of the S&P 500 index; P/E ratio and price/cashflow under two-thirds that of the index; and above-average dividend yield.

Further analysis focuses on management and franchise quality, catalysts for change and future earnings power. Target valuations are based on internal earnings estimates, two to three years out, post recovery. They may be adjusted later if turnaround strategies are successful.

Comparisons are made relative to peers but there is also an absolute override with risk/return assessments being used to trade positions.

A portfolio of 60-75 holdings is preferred. Initial positions vary from 1-3% depending on conviction. Sell disciplines are strict and holdings are trimmed approaching 5% or fair value.

Up to 25% may be held in any one industry and around 10% in stocks capitalised below \$10bn. Overseas holdings (ADRs) are permitted up to 10%. Cash is usually under 5%.

Turnover is around 35% a year.

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# STANDARD & POOR'S



## Portfolio & performance analysis (October 2009)

The fund's benchmark changed at the end of September 2009 (from S&P 500/Citigroup Value to Russell 1000 Value) however this did not have an effect on the construction of the fund. There was further change in early October 2009 when the US Focused Value fund was merged into this product, however the portfolio had been moved into line prior to the merger and there was therefore no impact.

The manager began taking advantage of extremely cheap stock valuations in late 2008, taking a contrarian stance against huge risk aversion and viewing the companies purchased as being able to recover at some point. These were gradual moves that continued into 2009, with additions made to energy, materials and IT. Banks were cautiously increased early in March.

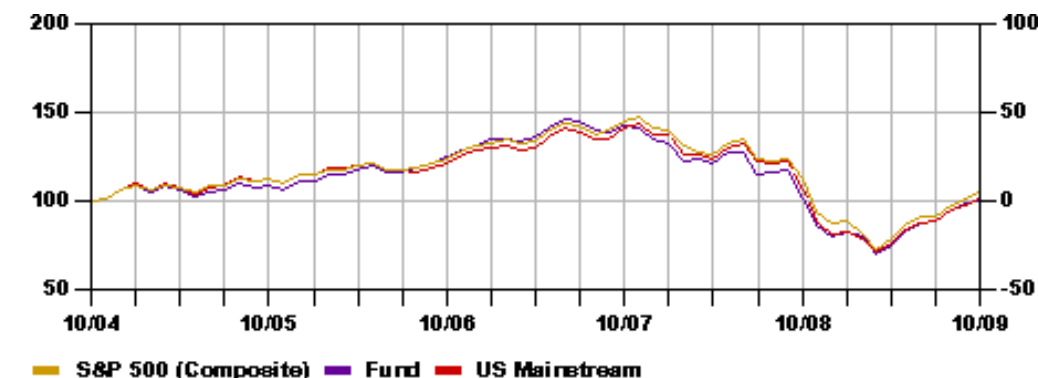
These stocks were held until August when the manager started to favour a more conservative stance and saw value in consumer staples and healthcare stocks that had been left behind in the market rally.

The past year has seen good returns against the value index and the broad peer group. Defensive positioning was gradually enhanced with buying at low valuations which helped the fund during the market rally in 2009. Against the benchmark, stock selection in healthcare and industrials was strong and was combined with good sector positioning - underweight financials and overweight IT.

During H1 2008, energy, technology and cash added value. However, while the low financials exposure had been positive, the manager detracted value by trading during the year and by holding the wrong stocks, such as AIG and Lehman Brothers.

Over the medium term, returns have been severely affected by unusually strong underperformance in the final half of 2007. Against the peer group this was a result of the market's switch to preferring the growth style over value, but stock selection also disappointed.

## Cumulative performance



## Portfolio characteristics

|                    |     |
|--------------------|-----|
| No. of holdings    | 61  |
| Turnover ratio (%) | N/A |
| % in top 10        | 33  |

## Asset allocation (30/09/09)

| Asset Class            | %    |
|------------------------|------|
| Cash                   | 0.2  |
| Consumer discretionary | 8.6  |
| Consumer staples       | 12.2 |
| Energy                 | 11.4 |
| Financials             | 17.9 |
| Healthcare             | 14.6 |
| Industrials            | 5.8  |
| Information technology | 17.2 |
| Materials              | 3.8  |
| Other                  | 0.0  |
| Telecoms               | 5.8  |
| Utilities              | 2.5  |

## Top 10 holdings (30/09/09)

| Company                | %   |
|------------------------|-----|
| Travelers *            | 4.2 |
| JPMorgan Chase *       | 4.0 |
| Bristol-Myers Squibb * | 3.9 |
| LSI                    | 3.4 |
| Exxon Mobil *          | 3.1 |
| Hewlett-Packard        | 3.1 |
| Unilever               | 2.9 |
| Halliburton            | 2.8 |
| Kraft Foods            | 2.8 |
| Schering-Plough        | 2.7 |

\* In top 10 holdings a year ago

## Discrete performance (calendar years)

|         | 2005 |          | 2006 |         | 2007 |           | 2008  |          | YTD 30/09/2009 |           |
|---------|------|----------|------|---------|------|-----------|-------|----------|----------------|-----------|
|         | %    | Rank     | %    | Rank    | %    | Rank      | %     | Rank     | %              | Rank      |
| Fund    | 2.4  | 795/1108 | 21.2 | 93/1261 | -1.1 | 1300/1483 | -37.9 | 483/1697 | 21.0           | 1114/1882 |
| Index** | 4.9  |          | 15.8 |         | 5.5  |           | -37.0 |          | 19.1           |           |
| Median  | 4.7  |          | 13.0 |         | 6.5  |           | -40.2 |          | 22.8           |           |

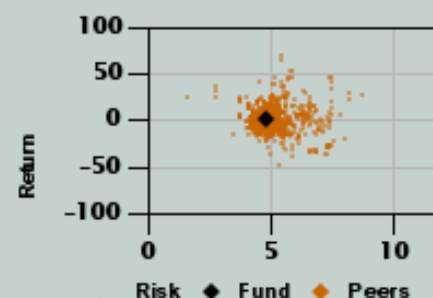
\*\* S&P 500 (Composite)

Fund benchmark: S&P 500 CitiGroup Value Index

## Share class information

|                     | Initial charge   | Exit charge | Annual charge | Expense ratio | Lump sum | Savings plan | ISIN         |
|---------------------|--|-------------|---------------|---------------|----------|--------------|--------------|
| A                   | 5.00   | 0           | 1.50          | 1.79          | 5,000    |              | LU0072461881 |
| Registered for sale | Austria, Bahrain, Belgium, Chile, Denmark, Finland, France, Germany, Gibraltar, Greece, Guernsey, Hong Kong, Iceland, Ireland, Italy, Japan, Jersey, Korea (South), Luxembourg, Macao, Mauritius, Netherlands, Norway, Peru, Poland, Portugal, Singapore, Spain, Sweden, Switzerland, Taiwan, United Kingdom |             |               |               |          |              |              |

## Risk return (standard deviation) over five years



## Symbols and definitions

### Long-only fund ratings

**AAA** The fund demonstrates the highest standards of quality in its sector based on its investment process and performance consistency of the management team and/or approach as compared to funds with similar objectives.

**AA** The fund demonstrates very high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

**A** The fund demonstrates high standards of quality in its sector based on its investment process and management's consistency of performance as compared to funds with similar objectives.

### Fund-of-hedge-fund ratings

**AAA** The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

**AA** The fund demonstrates very high standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

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### Absolute return fund ratings

**AAA** The fund demonstrates the highest standards of quality based on its investment process, risk awareness and consistency of performance relative to its own objectives.

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### All fund ratings

**NR** Funds designated as NR (Not Rated) currently do not meet the requisite performance standards and/or the minimum qualitative criteria.

**UR** Ratings are placed Under Review when significant management changes occur at the fund manager or fund management team level and Standard & Poor's Fund Services has not had the opportunity yet to evaluate their impact on the qualitative appraisal.

**New** Signifies where a major event has occurred for which there is no fund-specific track record available. This includes: funds recently launched, the implementation of a new investment process or mandate and may include structural changes within a fund team.

### Bond fund volatility ratings

The bond fund volatility rating is our current opinion of a fund's sensitivity to changing market conditions. Volatility ratings evaluate the fund's sensitivity to interest rate movement, credit risk, investment diversification or concentration, liquidity, leverage and other factors. For V1-V4 categories, risk is considered relative to a portfolio composed of government securities and denominated in the base currency of the fund.

**V1** Bond funds that possess low sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprised of government securities maturing within one to three years, and denominated in the base currency of the fund. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprised of the highest quality fixed-income instruments with an average maturity of 12 months or less. Within this category, certain funds are designated with a plus sign (+), indicating extremely low sensitivity to changing market conditions.

**V2** Bond funds that possess low to moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within three to seven years, and denominated in the base currency of the fund.

**V3** Bond funds that possess moderate sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing within seven to 10 years, and denominated in the base currency of the fund.

**V4** Bond funds that possess moderate to high sensitivity to changing market conditions. These funds possess an aggregate level of risk that is less than or equal to that of a portfolio comprising government securities maturing beyond 10 years and denominated in the base currency of the fund.

**V5** Bond funds that possess high sensitivity to changing market conditions. These funds may be exposed to a variety of significant risks including high concentration risks, high leverage, and investments in complex structured and/or liquid securities.

**V6** Bond funds that possess the highest sensitivity to changing market conditions. These funds include those with highly speculative investment strategies with multiple forms of significant risks, with little or no diversification benefits.

### Absolute return fund N ratings

The N rating is Standard & Poor's indication of a fund's potential capital stability in normal markets. It is a qualitative rating but is based on annualised weekly downside deviation. N1 is the most stable and N9 the least.

10/14/2008

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