



Report date April 2010

Sub-fund of Luxembourg domiciled Sicav - Part 1

Fund owner: BlackRock Investment Managers

Fund manager: BlackRock Investment Managers

### Named portfolio manager(s):

Alice Gaskell (since September 2003), Andreas Zoellinger (since November 2007)

Peer group: Euroland Equities

Location: London

Launch date: January 1999

Fund size (February 2010): €1.8bn

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	-19.4%
Standard & Poor's peer median	-29.1%
Index**	-26.8%
Fund rank	64/562

Note: returns are cumulative

### Three-year risk characteristics

Maximum drawdown (%)	-14.9
Volatility	6.6
Correlation	1
Beta	1

### 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.

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### Standard & Poor's opinion (April 2010)

The team changes instigated by the arrival of Nigel Bolton and his former SWIP colleagues at the beginning of 2008 appear to have brought stability, structure and increased team interaction to BlackRock's European team. This has been reflected in performance, which has been on a rising trend across most funds run by this well-resourced team.

This fund was no exception and has continued the strong track record built first by Alice Gaskell (16 years' experience) on her own and then, after a brief period of maternity leave, in conjunction with Andreas Zoellinger (nine).

The two managers actively draw on team input although the narrower investable universe of this Euroland fund can at times lead to different timings in the implementation of the portfolio changes. This was the case in early 2009 with the move back into banks.

Though style agnostic, Gaskell and Zoellinger have established a consistent process that is primarily geared towards bottom-up stock selection. They are nevertheless aware of the broader macro picture and also work closely with the risk team to build a well diversified portfolio. They are aware of the benchmark but happy to deviate from it if their views warrant it.

Performance over the last three calendar years has been consistently strong against both peers and benchmark and this is reflected in the fund's top decile ranking over three and five years.

Gaskell and Zoellinger have established a successful and effective partnership and a disciplined process. The fund comfortably retains its S&P AA rating.

### Fund manager & team

Nigel Bolton joined BlackRock from SWIP with seven experienced colleagues in 2008. He heads the 13-strong pan-European team that is split between Edinburgh and London. All members have pan-European research responsibilities, which are presented in a uniform template to assist comparison. Analysts are rewarded on their ability to communicate their ideas as well as on the success of them. Managers follow their own styles and make independent stock decisions. The team can take input from the UK equity team and continues to use the risk management tools established at BlackRock under Ed Fishwick.

Alice Gaskell - fund manager - politics (Oxford University), joined MLIM (now BlackRock) in 1994 and has focused on UK and Europe equity portfolios since then. She manages euro and Continental European mandates and covers diversified financials and insurance.

Andreas Zoellinger - business administration (University of Munich, University of Edinburgh), CFA, joined MLIM (now BlackRock) in 2001. He covers materials and insurance and has managed money since March 2007.

### Management style

The fund aims to outperform both peers and the MSCI EMU index. The focus is primarily on bottom-up stock selection with no prescribed bias.

The two managers make extensive use of the in-house analyst team for stock recommendations. Screens are used as one of the tools to isolate stocks that fit the varying criteria of the managers. They are also there to challenge existing holdings and may prompt their sale.

Targeted holdings are typically those undervalued relative to potential earnings expectations, with sustainable earnings growth and a visible catalyst for revaluation. Earnings' sensitivity is carefully analysed. The team sets absolute price targets for every holding; these are key to their buy/sell discipline.

The portfolio is concentrated in 30-50 large-/mid-caps and constructed with an awareness of benchmark. The tracking error ranges between 3.5-5.5%. Risk management is an integral part of construction. At least 50% of total risk must arise from stock selection and momentum; no other factor (country/sector weight) may exceed 10% of the whole. The highest active stock position will be no more than twice the average contributor to active risk.

# BLACKROCK GLOBAL FUNDS - EURO MARKETS FUND

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STANDARD  
& POOR'S



## Portfolio & performance analysis (February 2010)

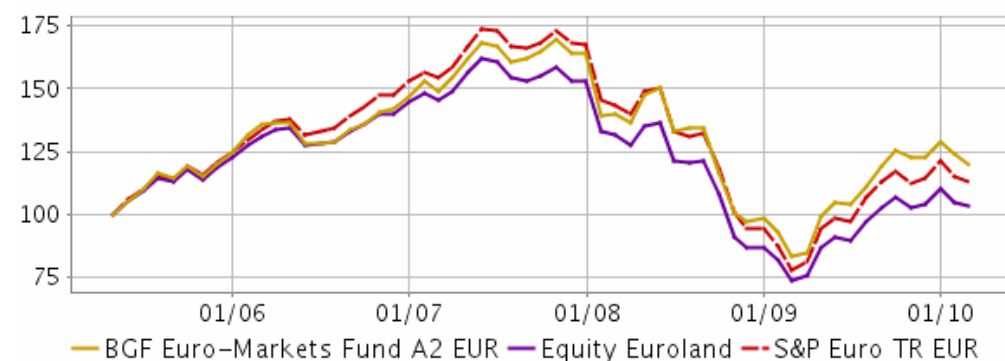
In line with the other funds run by the European team, this portfolio was moved to a more pro-cyclical stance at the start of 2009. However, the timing of the move into financials was different, as the team's initial move into banks focused on UK names that are not included in this mandate. As the year progressed, new ideas also came through within the Euroland universe and allowed Gaskell and Zoellinger to gain exposure to KBC, EFG and Erste Bank. This delay initially cost some performance but the fund was able to regain the lost ground by focusing on consumer names and steadily adding to industrials. Having moved to an overweight of 1.3%, exposure to financials was cut back to underweight (-0.8%) towards the end of the year when some profits were locked in. This also led the average market cap in the portfolio rising again, as the portfolio was repositioned towards quality large-caps such as Philips and BASF. Within telecoms, Telefonica was sold and only KPN remained. Turnover for the whole year was 200%.

Performance in 2009 was top quartile. The month of July was a negative one but was then followed by three months of strong returns. Towards the end of the year, returns suffered from holding some Greek banks. Performance attribution for the year shows positive contributions from stock selection in all but three sectors. Materials, financials and industrials stand out and MAN, BNP Paribas and Volkswagen (underweight) are the main stock successes. In contrast, ING, Vivendi and Fresenius were the main disappointments.

Looking further back, stock selection was the main driver of returns also in 2008 with Vivendi, Eutelsat and Fortis as main positives while Volkswagen and SG were the main detractors.

The fund is ranked top decile over three and five years and has outperformed its benchmark in each of the last three calendar years.

## Cumulative performance



## Discrete performance (calendar years)

	2006		2007		2008		2009		YTD 26/02/2010	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund	17.7	266/491	11.4	17/552	-40.1	153/638	31.4	111/714	-7.1	520/755
Index**	22.6		9.2		-43.6		28.2		-6.8	
Median	18.2		5.4		-43.1		26.5		-6.3	

\*\* S&P Euro TR EUR  
Fund benchmark: MSCI EMU

## Share class information

	Initial charge	Exit charge	Annual charge	Expense ratio	Lump sum	Savings plan	ISIN
A	5.00	0	1.50	1.81	5,000		LU0093502762
Registered for sale	Austria, Bahrain, Belgium, Chile, Denmark, Finland, France, Germany, Gibraltar, Guernsey, Hong Kong, Hungary, Iceland, Ireland, Italy, Japan, Jersey, Luxembourg, Macao, Mauritius, Netherlands, Norway, Peru, Poland, Portugal, Singapore, South Korea, Spain, Sweden, Switzerland, Taiwan, United Kingdom						

## Portfolio characteristics

No. of holdings	42
Turnover ratio (%)	N/A
% in top 10	36

## Asset allocation (01/02/10)

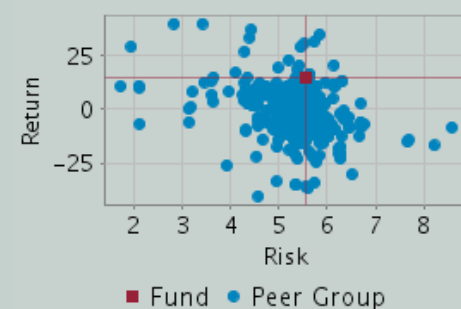
	%
Cash	1.2
Consumer discretionary	17.1
Consumer staples	12.5
Energy	6.6
Financials	22.3
Health care	2.4
Industrials	19.8
Information technology	3.2
Materials	3.5
Telecoms	2.6
Utilities	8.8

## Top 10 holdings (01/02/10)

	%
Total *	4.9
Banco Santander	4.7
E.On *	4.6
BNP Paribas *	3.6
Heineken	3.4
BASF	3.2
AXA	3.1
Vivendi *	3.0
Banco Bilbao Vizcaya Argentinaria	2.8
Vinci	2.8

\* In top 10 holdings a year ago

## Risk return (standard deviation) over five years



# STANDARD & POOR'S

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## 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 management's consistency of performance 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.

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

### 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.

**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.

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

### Specialist Fund Ratings

**AAA**

The fund demonstrates the highest standards of quality based on its investment process and management's consistency of performance relative to its own objectives.

**AA**

The fund demonstrates very high standards of quality based on its investment process and management's consistency of performance relative to its own objectives.

**A**

The fund demonstrates high standards of quality based on its investment process and management's consistency of performance relative to its own objectives.

### 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.

### Tenure Review

The fund manager/team involved in the management of the fund does not currently have the minimum 12 months relevant investment management experience required to be eligible to be considered for a rating.

### 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 less\* 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.