

Fund in Focus

BLACKROCK GLOBAL FUNDS (BGF)

BGF Latin American Fund



Will Landers

Fund manager of BGF Latin American Fund since September 2002.

Years at BlackRock 8

“Latin America offers the combination of secular domestic growth from its young and growing middle class with the traditional potential from its cyclical, commodity related sectors.”

Fund objective

The Fund seeks to maximise total return. The Fund invests at least 70% of its total net assets in the equity securities of companies domiciled in, or exercising the predominant part of their economic activity in, Latin America.

		Equity Fund
Stock market Capitalisation	Large	<div style="border: 2px solid black; border-radius: 50%; width: 40px; height: 40px; display: flex; align-items: center; justify-content: center;"> 60-80 stocks </div>
	Mid	
	Small	
Style		Emerging

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

Management style

The Fund relies on in-depth understanding of how events at both the macro and company level effect stock prices in Latin American markets. The team attempts to add value by investing in a diversified portfolio of mispriced/undervalued securities. The emphasis is on bottom-up research, spending as much time as possible in front of management teams both in the region and at our offices or at regional conferences. Since its inception in January 1997, the Fund has been managed using virtually the same investment philosophy and process.

The Fund does not have any particular investment biases that result from the team’s investment philosophy and process. The team adapts its stance as economic circumstances unfold. They identify stocks which offer the prospect of long-term, above average price appreciation through a rigorous research process. This approach could best be described as ‘growth at a reasonable price’.

The team believes that its ability to travel and research small to mid-cap companies within the region provides value added opportunities for the Fund.

Investment process

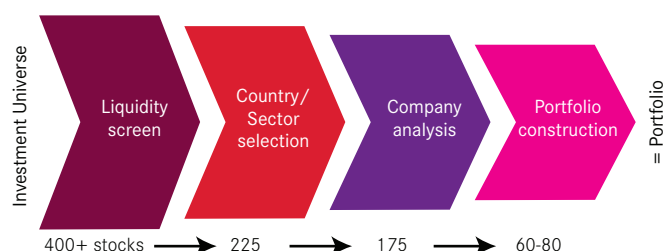
The Latin American team follows a four step investment process that reduces the number of stocks into an investible universe, from which the portfolio manager constructs a portfolio designed to add value whilst controlling risk. The team’s process is a combination of top-down and bottom-up analysis, based upon strong fundamental research.

Liquidity Screen – The Latin American universe has well over 2,000 listed companies across several markets. Therefore, the team uses a liquidity screen which reduces the investible universe. They aim

for a minimum of 80% of the portfolio to be liquid, whereby they can sell the securities within one week at 30% of their six month average daily market volume if necessary.

Country/Sector Selection – Next, they eliminate countries with capital controls or sectors they are not happy to invest in. Some of the factors the team focuses on include economic growth; market valuation; liquidity analysis (interest rates, money supply, capital flows and indebtedness) and technical factors (such as volatility, market momentum and fund flows).

Company Analysis – The team conducts rigorous fundamental analysis involving the use of a wide range of valuation techniques. They look for companies with attractive growth prospects focused upon improving returns at attractive valuations. Bottom-up company analysis is done using both technical measures as well as more cashflow based measures. The team also conducts a DCF sensitivity analysis using different growth rates and country risk parameters, which helps evaluate the upside potential of a security and long-



Investment process (continued)

term viability of a company. In aggregate, the team conducts over 600 company meetings on a yearly basis.

Portfolio Construction – The sector specialists present their investment recommendations to the team as a whole, advocating a target weight for the stock within the portfolio. The recommendation

is discussed by the team and ‘stress-tested’. A consensus decision is made with regards to the stock, ensuring that resulting exposures at a sector/country/total fund level is in line with strategy. The portfolio manager then implements the decision with guidance from the sector specialists on execution and market timing.

Buy / sell process

Buy / add
Companies with attractive growth prospects, focused upon improving returns at attractive valuations
Strong management team with fair treatment of minority shareholders
Improvement in macro economic scenario (either country specific or globally)

Sell / reduce
If the value of a stock has been realised
If the corporate outlook has deteriorated
If the macro economic environment or outlook has deteriorated.

Portfolio characteristics

- ▶ The Fund invests in approximately 60-80 stocks in the Latin American region, of which around 35% is in small to mid-cap stocks.
- ▶ The MSCI Emerging Market Latin America Net Index is used as a benchmark, serving as a starting point for position size, but not dictating what stocks are to be owned.
- ▶ The composition of the Fund is based around the following guidelines:

Fund composition

Stock selection	10% maximum for a single holding
Industries and sectors	No maximum for single industry
Market capitalisation	Large cap > US\$ 10 billion Mid Cap > US\$ 2 billion – US\$ 10 billion Small cap less than US\$ 2 billion

Source: BlackRock

Investment outlook

- ▶ Despite the volatility and events in the global market, Latin America continues to compare favourably from a valuation perspective, trading at a discount to most global markets. Brazil continues to trade in the bottom half of the global valuations at around 10x 2011e P/E with earnings growth expected to be over 25%. This multiple is still at a discount to all other major Latin American markets and the 11x multiple for Emerging Markets overall. Once the market settles down and the focus returns to fundamentals we believe Latin America will be in a position to benefit and again lead the way.
- ▶ Brazil is the team’s favourite market in Latin America. The team particularly favours sectors tied to domestic consumption especially banks, homebuilders and retailers. These sectors continue to benefit from the growing middle class (today, over 2/3 of Brazil’s population is C class or better), greater credit availability and affordability, record low unemployment, and increasing purchasing power. Brazil’s domestic demand story remains intact posting strong growth, unemployment figures that are at record low levels and banks continue to look for ways to grow their loan book at an accelerated pace. We do not feel the recently finished interest rate tightening cycle will derail the already strong domestic economy. Commodity stocks remain an important part of the Brazilian investment story, although for the time being we maintain underweight positions in both steel as well as energy. In addition, we do not expect any major economic policy changes as a result of the presidential elections in October from either of the leading candidates.
- ▶ Mexico’s economy surprised on the upside during the early part of 2010, however it remains heavily dependent on the US economy, which, coupled with continued weakness in remittances (money from Mexican-Americans working in the US that is sent to their families in Mexico) leads us to expect a deceleration in that economy in the second half of the year. From a valuation perspective, we do not find Mexico to be as compelling as Brazil.
- ▶ In Chile, the main focus for President Piniera’s administration so far has been on rebuilding the areas affected by the devastating earthquake there earlier in the year, which would leave any reforms for later in his presidency. So far, consumer confidence in Chile is indicating a belief in the new administration, while equity valuation levels continue to look expensive to us.
- ▶ Peru is the team’s favoured smaller market, but suffers from a lack of investible stocks focussed on the domestic economy. We expect the Peruvian economy to rebound strongly this year. The country is seeing lots of infrastructure investment happening.

Awards and ratings

- ▶ The Fund is A rated by OBSR, holds a Superior Rating by Morningstar and is AA rated by Standard & Poor's. In their opinion of July 2010, Morningstar commented: 'The Fund has easily beaten its Morningstar Category average since taking ownership of the fund in September 2002. We have a high opinion of this Fund and the team responsible. The Fund fully deserves its Superior rating'.
- ▶ So far in 2010, the Fund has received eight awards by numerous rating agencies and publications.
- ▶ 6 Lipper awards in the Gulf region and Taiwan for its performance over three, five and 10 years.
- ▶ One Euro Fund Award in Germany for its performance over one year.
- ▶ One Smart Fund Award in Taiwan, for the "Best Latin American Fund over 10 years".

Fund manager profile

- ▶ Will Landers, CFA, Managing Director is the Senior Portfolio Manager for BlackRock's suite of Latin American equity funds.
- ▶ Will's service with the firm dates back to 2002, including his years with Merrill Lynch Investment Managers (MLIM), which merged with BlackRock in 2006. At MLIM, Will managed MLIM's suite of Latin American equity funds. Prior to joining MLIM in 2002, he was a Latin American research analyst at two large Wall Street firms, focusing initially on food and beverage stocks, and later on technology stocks. He began his career as an investment banker working with Latin American clients.
- ▶ Will speaks both Portuguese and Spanish. He earned a BSBA degree in finance and international management from Georgetown University in 1991.

Investment team

The BlackRock Latin American team comprises one senior portfolio manager and three fund analysts. The portfolio manager and analysts all contribute to research and analysis while Will Landers, CFA, Managing Director, is responsible for the day to day management of the Fund's portfolio. Their resources are illustrated here:

Latin American Equity Team






Name	Title	Role	Yrs Inv experience	Yrs with company
Will Landers, CFA	Managing Director	Senior Portfolio Manager	19	8
Dhiren Shah, CFA	Director	Fund Analyst, Latin American markets	9	9
Flavia Montoro, CFA	Vice President	Fund Analyst, Latin American markets	12	6
Paul Trejo	Associate	Fund Analyst, Latin American markets	3	3

Source: BlackRock

Key facts as at 30.09.10

Fund manager	Will Landers	Benchmark	MSCI EM Latin America net
Appointed to Fund	September 2002	Currency	US\$
Years at BlackRock	Eight	Other Currencies	€/£
Fund launch date	08.01.1997	Swiss valoren (A shares)	567975
ISIN code (A shares)	LU0072463663	Reuters code: (A shares)	BLRKIT
Bloomberg code (A shares)	MERLTAI LX		

Where this Fund features in our range

		US Basic Value	US Flexible Equity	US Growth	US Small & MidCap Opportunities	Latin American
Stockmarket Capitalisation	Large					
	Mid					
	Small					
Style		Value	Flexible	Growth	Growth Oriented	Emerging

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

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