Fund in Focus

BLACKROCK GLOBAL FUNDS (BGF)

BGF European Focus Fund

Nigel Bolton
Fund manager of BGF European Focus Fund since March 2008

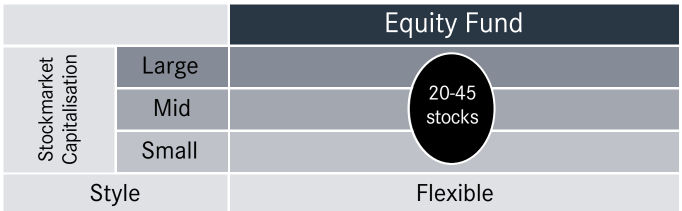
Years at BlackRock 2

Years experience 25

"The BGF European Focus Fund is a truly flexible fund that is designed to out-perform irrespective of market conditions. The Fund aims to generate high alpha returns by holding a concentrated but diversified portfolio of best ideas."

Fund objective

The European Focus Fund seeks to maximise total return. The Fund invests at least 70% of its total assets in a concentrated portfolio of equity securities of companies domiciled in, or exercising the predominant part of their economic activity in Europe.



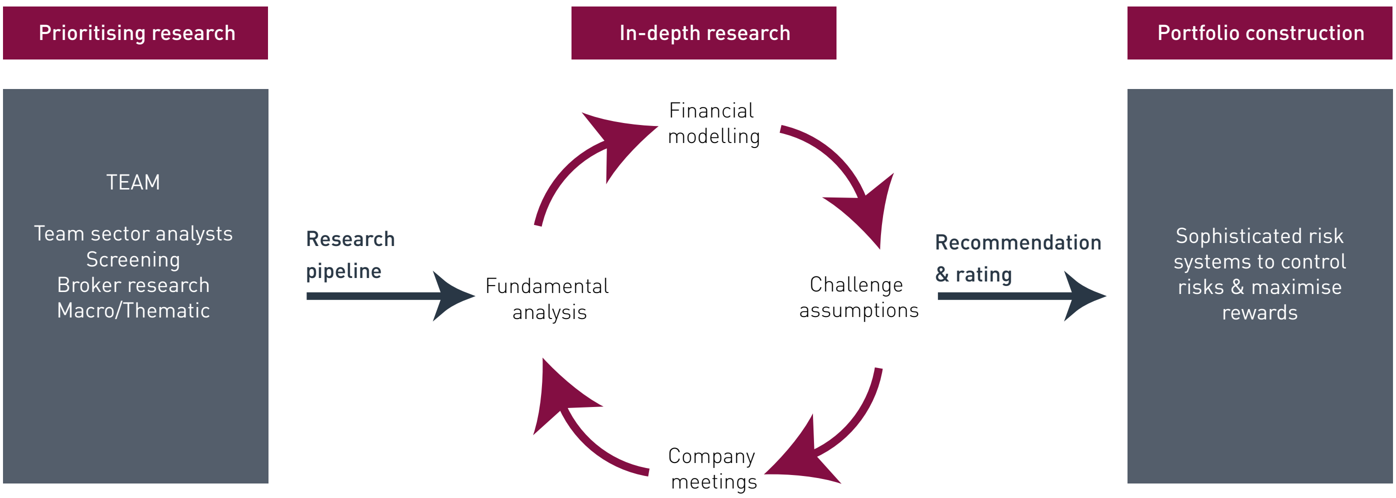
The number of shares quoted for the Fund is indicative and actual numbers may fall outside of the ranges show

Management style

The Fund has a flexible investment approach with no pre-determined investment style, size, sector or country bet, therefore taking advantage of changing market conditions and unearthing the best opportunities across Europe. The Fund predominantly invests in mid/larger cap stocks with a market cap greater than €500m. The Fund combines a structured, efficient research process, with sophisticated portfolio construction and risk management techniques to generate alpha. Research is at the core of the investment process and sector positions are primarily driven by bottom-up research but also with a consideration of the macro-economic environment.

Investment process

The investment process can be summarised in the following diagram.



Investment process continued

The Fund has a disciplined and repeatable investment process, outlined below, which combines a structured research framework with sophisticated portfolio construction techniques.

- **Screening & prioritising research** – The Fund uses screening tools with a focus on valuation and earnings momentum to identify ideas for further in-depth research as well as to challenge existing portfolio holdings. In addition, inputs from team analysts, company meetings, external brokers and data providers are valuable sources of idea generation.

- **Research** – The majority of time is spent on in-depth company analysis, and the fundamental research is a key source of alpha generation. The Fund has a structured efficient research process with a dedicated research co-ordinator to ensure research is prioritised and focused on the most promising and timely investment ideas. As part of the research process a proprietary research template is produced for each stock containing a price target and rating.

- **Portfolio construction** – aims to draw from the extensive in-depth company research conducted by team sector analysts.

  – The Fund has a more aggressive risk profile and targets higher active risk than the BGF European Fund. However, the Fund's portfolio construction adheres to the three risk parameters below which ensure the portfolio is appropriately diversified, deliberate and scaled:

  – Aim for stock selection to account for at least 50% of total portfolio risk

  – Monitor exposure to individual factor risk (such as style, themes, industry, country)

  – Maintain a diverse range of positions.

Buy / sell process

Buy / add	Sell / reduce
Companies which are undervalued given their potential earnings power and risk profile. These can take the form of value, growth or turnaround opportunities. Position sizes will be determined by: – Conviction in investment case – Upside to target price – Overall contribution to portfolio risk	– When the price target achieved – If the investment case changes – If the stock exceeds portfolio risk limits – If there are better opportunities elsewhere

Portfolio characteristics

The Fund adopts a flexible approach in terms of style, sector and market cap bias through a concentrated best ideas portfolio of 20-45 stocks.

- Sector positions primarily driven by bottom-up considerations but checked against macro view.

- The Fund is usually fully invested and position sizes are typically 1-6% active vs. the MSCI Europe Index.

Stock story†

KBC is a Belgian bank with core businesses in its home market and central and eastern europe (CEE). The group has been through a period of balance sheet stress due to a number of toxic assets it holds. The fall in the value of these assets led to KBC requiring a bail out from the Belgian and Flemish governments in the form of an asset insurance scheme. This has limited the downside risk to their balance sheet and has allowed us to refocus our attention on the underlying business once more. Encouragingly, throughout this period of stress the underlying earnings power of the group has actually strengthened due to a combination of repricing the loan book upwards and strong cost cutting. Bad debts are increasing in their loan book but at a manageable pace. The group is currently working on a restructuring plan to strengthen its balance sheet further and we are confident that this will be done without damaging its longer term earnings power. KBC is one of the cheapest banks in Europe and we are confident that the new management team can unlock this value for shareholders.

† Reference to the names of each company mentioned in this communication is merely for explaining the investment strategy, and should not be construed as investment advice or investment recommendation of those companies.

Awards and ratings

- The Fund is rated A by OBSR and AA rated by Standard & Poor's. In their report of March 2010, Standard & Poor's commented: 'Bolton has a strong longer-term track record with the mainstream funds he has managed and this success has continued with this more concentrated product. Despite very difficult markets, he has successfully used his experience and knowledge to outperform in both the weak market of 2008 and the stronger market conditions from Q1 2009.'
- Morningstar recently rated the Fund with a Standard Rating. In their recent Opinion dated 10 February 2010 they commented; 'Under Bolton, the team is becoming one of the strongest European equity teams in the industry. Over the last two years, Bolton has shown that he has what it takes to navigate a tough market environment. The fund's performance in 2009 was one of the best in its Morningstar category.'
- Nigel Bolton is AAA-rated by Citywire.*

* This rating is based on risk-adjusted 3 year performance to end August 2010 and applies in Austria, Switzerland, Sweden, Spain, France, Netherlands, Germany and Italy.

Fund manager profile

- As head of the European Equity Style Diversified team, Nigel Bolton is responsible for the team investment process and business development. He also has responsibility for the management of Pan European portfolios, adopting a flexible style.
- Prior to joining BlackRock in 2008, Nigel was Director and head of European Equities at Scottish Widows Investment Partnership since 2004. He spent most of his career with Citigroup Global Asset Management (previously Citibank) from 1992 to 2003, becoming Managing Director and head of European Equities in 1998.
- During his career, Nigel has also worked with WP Stewart (Europe) Ltd, BZW and Abbey Life Investment Services. Nigel began his career in 1985 with Redmayne Bentley as a trainee equity analyst.
- Nigel earned a BA degree, with honours, in economics from the University of Nottingham in 1985.

Investment team

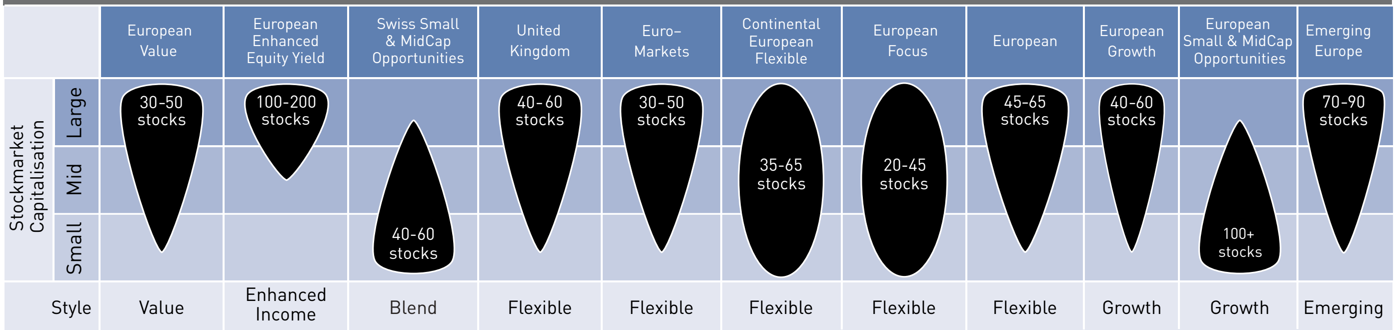
- The European Equity Style Diversified Team has extensive experience of investing in European equities. Team leader Nigel Bolton has over 25 years' experience and a strong track record of managing successful teams. The Team consists of 14 investment professionals, with 5 senior portfolio managers averaging over 20 years investment experience. In total, the team can draw on over 140 years of investment experience.
- Research is central to the investment process and the Team is dedicated to finding the best ideas across the European equity universe. Research is organised by sector and the team believe an structured integrated research platform, where all team members perform fundamental stock analysis, not only optimises idea generation but also promotes strong communications and team debate.
- The Team leverages BlackRock's other global research resources in equity, fixed income and alternatives. This is facilitated by the global daily call as well as weekly Global equity call where investment professionals share investment insight and outlook.
- As at the end of September 2010 the European Equity Style Diversified Team managed €10.3bn across a variety of investment approaches (flexible, value, growth).

Key facts as at 30.09.2010

Fund managers	Nigel Bolton	**Bloomberg code (A shares)**	MLEFA2E
Appointed to Fund	March 2008	**Benchmark**	MSCI Europe Net
Years at BlackRock	Two	**Base currency**	€
Fund launch date	14.10.2005	**Other currencies**	US$
ISIN code (A shares)	LU0229084990		

Where this Fund features in our range

European Equity Funds



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

For more information: **Tel:** Int. +44 (0)20 7743 3300 **Email:** investor.services@blackrock.com **Website:** blackrockinternational.com
Tel: UK 08457 405 405 **Email:** broker.services@blackrock.co.uk **Website:** blackrock.co.uk

BLACKROCK

09703BR Oct10