

SHINING A LIGHT ON..... BLACKROCK EMERGING EUROPE INVESTMENT TRUST

Update....

For investors looking to invest in Emerging Europe there seems to be few options. The BlackRock Emerging Europe Invest Trust is one option. We recently attended an update with David Reid who was the co-manager on the trust and is now moving roles but still involved on a daily basis.

BlackRock took on the trust on 30 April 2009 and since then it has significantly outperformed the benchmark we use as a measure (although past performance is no guide to the future). However, the last five years have seen negative returns with the falls being less than the index but still not an attractive investment. However, more recently there have been positive returns and the natural question is whether things are turning.

David explained that weakness in the markets has opened up opportunities and this has benefited the trust. Two of the biggest contributors to performance were Sberbank (Russia) and Motor Oil (Greece). As he added Motor Oil is an oil refinery perfectly positioned to receive crude oil from across the region and then sell onto to countries like Turkey. Sberbank is a well run state bank trading on low multiples.

Turning to Greece David explained that there are more opportunities opening up as they bring in reforms and actually excluding debt repayments it could move to a surplus position. For this reason, the trust is overweight in Greece. Romania is an economy doing well with 19% retail growth and the trust holds BRD which is a Romanian Bank.

As a team they feel there is a turning point in Eastern Europe which has been missed by many. Poland is a perfect example of an economy which can turn a deficit to a surplus. Even Russia which is an area they have been underweight is starting to open up. Although Russia has suffered with the fall in commodities, a drop in the value of the currency and a cheaper workforce is attracting investment and this opens opportunities to invest. Other areas of interest include Kazakhstan and Turkey.

The fund is overweight in Financials (42% of the fund), IT (8%) and Industrials (4%) and underweight in Energy and Telecoms. It is worth adding that although it is underweight in energy to the index it still holds about 24% in energy stocks.

In selecting stocks, the focus is on the cash flow of companies but politics play a big part in where they invest as it can impact on a business. For this reason they have no exposure to Hungary.

And finally we talked about the change in the team. David will continue to work with the team but has taken up a role covering the whole of emerging markets rather than focusing on a specific region. A new co-manager has come into the team and there is no indication this will impact on performance.

In summary there isn't necessarily anything that makes this investment trust special in terms of its style but what the team have demonstrated is strong performance and a deep knowledge of the regions and companies they invest in. For investors seeking investments in this area this certainly is an investment to consider.

LWM Consultants Ltd

Fund performance

Performance since 2011 to 13 April 2016:

	2011	2012	2013	2014	2015	2016
BlackRock Emerging Europe plc	-28.25%	11.80%	4.34%	-25.45%	1.83%	13.14%
iShares MSCI Eastern Europe Capped ETF	-27.28%	13.08%	-4.42%	-32.68%	-6.40%	20.79%

Performance over 12 months, 3 years, 5 years and since 30 April 2009 (start of tenureship).

	12 months	3 Years	5 Years	Since tenureship
BlackRock Emerging Europe plc	-3.18%	-10.20%	-31.71%	63.27%
iShares MSCI Eastern Europe Capped ETF	-9.21%	-25.83%	-44.47%	7.63%

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

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