

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

Update....

For investors looking to invest in Europe the BlackRock Greater Europe Investment Trust is certainly one to consider. In this update with the team we discussed the challenges in the market and where opportunities are appearing. It is worth adding that the fund can invest in Emerging Europe, this can be up to 25% and is currently closer to the 10%.

There are many challenges facing Europe whether it is the ECB, politics or global issues. Clearly global issues will impact Europe and this was seen at the start of the year where fears over China and the US credit cycle drove many to fear a global recession was on the cards. This was overdone and therefore we saw a correction.

With the fall in market and sharp correction, the view is that there isn't a great deal of value in the market and therefore picking the right stocks is really important. Earnings will be a big driver and market expectations of growth are low at just over 3%, the team feel this is more realistically around 5% to 6% meaning that with a low hurdle set by the market it is easier to beat. Equally with low yields on bonds this makes good European stocks an attractive investment and although there is limited value they are cheaper when compared to the US.

The challenge is how to get out of the low growth cycle and there is really no evidence this is happening. The recent ECB moves encouraged lending from corporates but the demand is just not there. Corporate lending has effectively stagnated and household lending is marginally up. It is showing that management teams are simply not finding the projects to invest in and are nervous of too much leverage.

And added to this is political uncertainty. BREXIT in theory has little impact on the fund as there are no UK holdings but a vote to leave could be a threat to the EU and spark a breakup of the union. So it shouldn't be discounted but a more worrying concern is the rise of populist parties and what impact these could have on growth.

So the story is simple, this is a low growth world where it is very hard for companies to grow earnings. It is therefore worth paying more for the right companies. There are three sectors which their focus is on.

1. European Transport Infrastructure – this is a play on road traffic improving due to better consumer and industrial confidence and with a fall in yield on debt it makes equities attractive. A good example of a holding is Vinci
2. Healthcare – this sector has been hit by what has been happening in Canada and the US and has ignored the fundamentals of European companies which have seen growing earnings with falling share values. A good example is Novo Nordisk which has exceeded growth expectations by 10% but seen its share value drop by 25%
3. Banks – the general view is that European banks are not a good place to be with falling revenue and increased regulations but there are opportunities in growing economies like Ireland with the Bank of Ireland

Everything is driven through stock selection and although the likes of Nova Nordisk is one area of growth the fund can find value in turnaround stories like Adidas and M&A (Paddy Power Betfair) and

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therefore the idea of the trust is to provide the best mix of investments but also the right quality. The overall P/E ratio of the trust is slightly higher than the general average but the companies they hold have the ability to grow and this is important.

In summary this is a well-run trust with an experienced team. Certainly they have delivered in terms of performance and perhaps this trust should be a consideration for those looking to invest in Europe.

Fund performance

Performance since 2011 to 13 April 2016:

	2011	2012	2013	2014	2015	2016
BlackRock Greater Europe Ord	-13.66%	21.51%	27.18%	-3.83%	16.41%	-3.14%
iShares MSCI Europe ex-UK ETF	-17.85%	14.00%	21.74%	-2.02%	1.99%	1.64%

Performance over 12 months, 3 years, 5 years and 10 years.

	12 months	3 Years	5 Years	10 Years
BlackRock Greater Europe Ord	-2.40%	23.27%	34.54%	105.77%
iShares MSCI Europe ex-UK ETF	-9.38%	12.29%	9.32%	26.76%

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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