

**SHINING A LIGHT ON THE.....
BlackRock European Dynamic Fund**

AT A GLANCE

Investment Objective	
The aim of the BlackRock European Dynamic Fund is to achieve long-term capital growth for investors. The Fund invests primarily in the shares of companies incorporated or listed in Europe excluding the UK which we consider exhibit either growth or value investment characteristics, placing an emphasis as the market outlook warrants. The Fund may also invest in collective investment schemes.	

Inception Date	1 March 2002
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=FOGBR04K8B

Management	
Manager Name	Start Date
Alastair Hibbert	1 st March 2008
Giles Rothbarth	1 st February 2019

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	44.34%
Large	43.21%
Medium	12.46%
Small	0.00%
Micro	0.00%

Top 10 Holdings		
Total number of holdings	41	
Assets in Top 10 Holdings	46.46%	
Name	Sector	% of Assets
SAP SE	Technology	6.47%
LVMH Moet Hennessy Louis Vuitton SE	Consumer Cyclical	5.79%
Airbus SE	Industrials	5.19%
Novo Nordisk A/S B	Healthcare	5.11%
Sika AG Registered Shares	Basic Materials	4.88%
Safran SA	Industrials	4.58%
DSV A/S	Industrials	3.88%
Ferrari NV	Consumer Cyclical	3.75%
Lonza Group Ltd	Healthcare	3.46%
Amadeus IT Group SA A	Technology	3.36%

Volatility Measurements	
3-Yr Std Dev (volatility)	12.32%
3-Yr Mean Return (average)	12.09%

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FUND PERFORMANCE

Performance from 1st January 2013 to 31st May 2019:

	2013	2014	2015	2016	2017	2018	2019
BlackRock European Dynamic Fund	28.51%	-0.35%	16.12%	14.23%	25.42%	-13.04%	14.71%
BlackRock Continental European Fund	25.87%	-2.09%	15.62%	13.89%	18.88%	-9.94%	14.81%
MSCI Europe Ex UK	24.17%	7.44%	9.09%	3.20%	14.48%	-10.55%	12.61%

Performance over 12 months, 3 years, 5 years and since fund manager inception:

	1 year	3 years	5 years	Since fund manager inception (Dynamic Fund)
BlackRock European Dynamic Fund	-2.23%	40.88%	59.16%	248.69%
BlackRock Continental European Fund	1.17%	39.24%	54.58%	178.92%
MSCI Europe Ex UK	0.92%	22.16%	29.31%	63.36%

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.

UPDATE....

The focus of the review is on the European Dynamic Fund, but it is worth mentioning the Continental Fund as well. Giles took over the Continental Fund in 2017 and has been working on the Dynamic Fund since 2015. There is an overlap of holdings of about 70%. The two funds may differ in certain market conditions as the Dynamic Fund is a more flexible strategy and tends to have a higher turnover. The Dynamic strategy will take advantage of non-benchmark positions, for example 5% in the UK when appealing. It may also invest in unquoted securities, but this tends to be a very small weighting. The other major difference is that it may take advantage of short-term trading opportunities, for example a switch to value or short macro / sentiment driven opportunities.

BlackRock have developed a strong European team and have the largest team by assets under management and people. The approach to investing takes into account top down views but is primarily driven by bottom up stock picking. To some extent they are agnostic when it comes to style, but the fund does focus more on growth companies. They are really focused on cashflows. There are companies that will appear in index funds which they would never hold. Because interest rates are so low it allows poor companies to continue to operate. Within an index there is no choice and they believe that a good active manager has the ability to significantly outperform the index by picking good companies.

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Examples would be LVMH (Moet) which is heavily exposed to China and saw 17% growth in the tail end of 2018. And although Italy as a country is weak there are good stories. FinecoBank is a digital only platform with lower fees and is on the right side of disruption rapidly collecting up new clients. Ferrari has best-in-class pricing power by controlling volumes and benefits from highly profitable super-car limited editions. The residual values are strong and 62% of cars are sold to existing clients.

Another example of a company they like is Moncler who make high end ski wear. China is developing their own ski resorts and they are perfectly placed to benefit from this.

What they don't like is banks where they feel there are too many pressures, and this is very different to many European funds. They also do not like oil giants who are not exposed to shale. The reasons for selling include valuation, better opportunities and changes in thesis. If they base a sale decision just on valuation, they will likely get it wrong.

They don't feel a downturn is imminent and too much focus is on the auto industry. There are good global businesses to invest in and the funds are fully invested.

In summary, this is one of the strongest European teams and they have delivered strongly. The differences between the funds is slight and we have focused on the Dynamic strategy which has performed slightly better. There are a few European funds and it is worth comparing before making any decisions.

The source of information in this note has been provided by BlackRock and is correct as at June 2019. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.