

**SHINING A LIGHT ON THE.....  
BlackRock European Absolute Alpha Fund**

**AT A GLANCE**

Investment Objective	
<p>The fund seeks to achieve a positive absolute return for investors and, as such, the Fund will not be managed against any European equity index. The Fund will seek to achieve this investment objective by taking long positions and using derivatives to take synthetic long and synthetic short investment positions. The Fund primarily aims to gain investment exposure to equities and equity-related securities of, or giving exposure to, companies incorporated or listed in the European Economic Area and Switzerland. In order to gain this exposure, the Fund invests primarily in derivatives, equities and equity-related securities and, when determined appropriate, cash and near cash. The Fund may also invest in other transferable securities, permitted money-market instruments, permitted deposits and units in collective investment schemes.</p>	

<b>Inception Date</b>	31 March 2009
<b>Fund Factsheet Link</b>	<a href="https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F000002O6U">https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F000002O6U</a>

Management	
<b>Manager Name</b>	<b>Start Date</b>
David Tovey	20 <sup>th</sup> June 2017
Stefan Gries	1 <sup>st</sup> July 2013

Investment Style Details	
<b>Equity Style</b>	
<b>Market Capitalisation</b>	<b>% of Equity</b>
Giant	23.06%
Large	36.66%
Medium	23.31%
Small	6.97%
Micro	0.00%

Top 10 Holdings		
<b>Total number of holdings</b>	143	
<b>Assets in Top 10 Holdings</b>	36.59%	
<b>Name</b>	<b>Sector</b>	<b>% of Assets</b>
BlackRock ICS Sterling Liq Agency Inc	-	6.27%
LMA SA 0%	-	4.72%
Mitsubishi UFJ Trust & Banking Corp. ...	-	4.13%
Nordea Bank ABP 0%	-	3.54%
Novo Nordisk A/S B	Healthcare	3.45%
Royal UNIBREW A/S	Consumer Defensive	2.98%
Sumitomo Mitsui Banking Corporation B...	-	2.95%
Transport For London 0%	-	2.95%
Cooperatieve Rabobank U.A. 0%	-	2.95%
RELX PLC	Consumer Cyclical	2.65%

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Volatility Measurements	
3-Yr Std Dev (volatility)	3.64%
3-Yr Mean Return (average)	2.75%

## FUND PERFORMANCE

Performance from 1<sup>st</sup> January 2013 to 30<sup>th</sup> September 2019:

	2013	2014	2015	2016	2017	2018	2019
<b>BlackRock European Absolute Alpha Fund</b>	5.07%	0.98%	9.39%	-5.18%	5.00%	4.83%	3.12%
<b>ICE BofAML GBP 1M Dep OR CM TR LOC</b>	0.50%	0.50%	0.51%	0.43%	0.28%	0.59%	0.55%

Performance over 12 months, 3 years, and since launch:

	1 year	3 years	5 years	Since launch
<b>BlackRock European Absolute Alpha Fund</b>	4.60%	2.68% p.a.	3.69% p.a.	4.11% p.a.
<b>ICE BofAML GBP 1M Dep OR CM TR LOC</b>	0.74%	0.50% p.a.	0.50% p.a.	0.55% p.a.

*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 manager started by explaining that they are aware of the negativity towards this part of the market. They feel to a large extent this is driven by complex strategies where it is difficult to understand where returns are coming from. In terms of their strategy they believe it is simple, clean and easy to understand and this is what makes it different.

The fund aims to deliver a positive absolute return over any 12-month period and has achieved this in nine out of ten calendar years. It also delivers low levels of volatility. The strategy is simple; it is a straight long/short strategy.

What this means is that the team take positions in stocks which they think will go up (long positions), and short positions in stocks that are expected to decline. In theory if they get the balance right, they should deliver a positive return on a net basis.

They believe, as an alternative investment to bonds, or a blend, this is worth considering. In terms of Europe, on the short side they see a lot of opportunities with weak businesses with high levels of debt and these are perfect to short.

In terms of shorts they are looking for those businesses which are in a highly competitive sector. There is no pricing power and little client loyalty. They are also likely to have high levels of debt, and potentially profit warnings.

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In terms of companies that they see as being able to deliver upside they see the formula as simple: - good management who can create value for the businesses and free cash flow.

BlackRock have one of the largest European teams and being able to use these resources means that investors have the comfort of knowing there is a big knowledge bank behind this strategy. The fund aims to provide downside protection but will underperform in a rapidly rising market.

In summary, investors are being placed into a position where, to get returns, they have to take some risk. This fund is effectively playing to that market, aiming to deliver positive returns which have been above cash but at the same time keeping the volatility low. This means in periods of extreme negative market movement this fund shouldn't fall as heavily and may in fact deliver positively. On the flip side if markets are raising rapidly then this fund will lag. Investors have numerous options; all carry different levels of risk and nothing is guaranteed. They will therefore have to consider whether this is for them or not.

*The source of information in this note has been provided by BlackRock and is correct as at October 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.*