

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

AT A GLANCE

| Investment 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. | |

| | |
|----------------------------|---|
| Inception Date | 14 th October 2005 |
| Fund Factsheet Link | http://www.morningstar.co.uk/uk/funds/snaps/hot/snapshot.aspx?id=FOGBR068QC |

| Management | |
|---------------------|-------------------------------|
| Manager Name | Start Date |
| Nigel Bolton | 1 st March 2008 |
| Simon Hunter | 1 st November 2016 |

| Investment Style Details | |
|---------------------------------|--------------------|
| Equity Style | |
| Market Capitalisation | % of Equity |
| Giant | 33.60% |
| Large | 42.85% |
| Medium | 19.22% |
| Small | 4.33% |
| Micro | 0.00% |

| Top 10 Holdings | | |
|--------------------------------------|--------------------|--------------------|
| Total number of holdings | 42 | |
| Assets in Top 10 Holdings | 34.23% | |
| Name | Sector | % of Assets |
| British American Tobacco PLC | Consumer Defensive | 5.29% |
| Novo Nordisk A/S B | Healthcare | 3.93% |
| Industria De Diseno Textil SA | Consumer Cyclical | 3.36% |
| Galp Energia SGPS SA | Energy | 3.31% |
| DCC PLC | Energy | 3.26% |
| Sanofi SA | Healthcare | 3.12% |
| Fresenius Medical Care AG & Co. KGaA | Healthcare | 3.06% |
| Continental AG | Consumer Cyclical | 3.01% |
| Banco Bilbao Vizcaya Argentaria SA | Financial Services | 2.96% |
| Associated British Foods PLC | Consumer Defensive | 2.93% |

| Volatility Measurements | |
|-----------------------------------|-------|
| 3-Yr Std Dev (volatility) | 8.80% |
| 3-Yr Mean Return (average) | 4.11% |

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FUND PERFORMANCE

Performance from 1st January 2013 to 31st October 2018:

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--------------------------------------|--------|--------|-------|--------|--------|--------|
| BGF European Focus Fund | 24.79% | -2.38% | 6.91% | 8.23% | 9.41% | -7.18% |
| iShares MSCI Europe ex-UK ETF | 24.53% | 0.04% | 4.07% | 19.51% | 16.37% | -4.87% |

Performance over 12 months, 3 years, 5 years and since launch:

| | 1 year | 3 years | 5 years | Since launch |
|--------------------------------------|--------|---------|---------|--------------|
| BGF European Focus Fund | -8.84% | 11.57% | 17.06% | 176.26% |
| iShares MSCI Europe ex-UK ETF | -6.05% | 33.44% | 37.79% | - |

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....

This was our first introduction to the fund. Much of the discussion was around European views rather than the process itself. The fund has been managed by Nigel Bolton since 2008. He has a career going back 30 years and is Co-Head of Fundamental Equities at BlackRock. The performance of the fund in recent years has been poor and Nigel himself was caught up in an alleged insider trading scandal, but BlackRock fully supported him during this time. In terms of the performance we have seen a co-manager come on board, and BlackRock have a strong European team so although performance is poor this is one investment house that has the ability to turn this around.

Nigel explained that the move out of QE to effectively QT (Quantitative Tightening) is forcing greater volatility in the markets. This is being increased further by rising bond yields, unwinding of positions in hedge funds and a rotation from growth to value.

They believe there is value to be found but it is selective. Areas which are slow are China, semiconductor businesses and Auto. Auto is an area they are looking to avoid as not only is the demand from China falling there are pressures from emission standards, electric vehicles and the unknown residual value of cars moving forward.

Similarly, they have concerns on banks which they see as value traps. QE has meant that banks are awash with cash and desperate to loan out. This means that they can't charge a premium, putting pressure on profits. There are some opportunities but they are very specific and limited.

They haven't moved to being ultra-safe, but they have increased the quality within the fund. They are looking to have lower leveraged businesses or a greater understanding of those companies with high levels of debt. This is because rising rates are not good for companies with debt (as costs of servicing it goes up).

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The volatility in the market has opened opportunities and they have seen price to earnings ratios come down. As active investors they believe they can exploit these opportunities.

In summary, our main concern is the performance and whether they can turn this around. Investors will need to consider this carefully. In the discussion there wasn't a feeling this was different to other funds and again this is a consideration for potential investors.

The source of information in this note has been provided by BlackRock and is correct as at October 2018. 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.