

SHINING A LIGHT ON THE..... BlackRock Emerging Europe Investment Trust

AT A GLANCE

Investment Objective	
To achieve long-term capital growth, principally by investing in companies that do business primarily in Eastern Europe, Russia, Central Asia and Turkey.	

Inception Date	29 November 1994
Fund Factsheet Link	http://tools.morningstar.co.uk/uk/cefreport/default.aspx?SecurityToken=EOGBR00Y04]2]0]FCGBR\$\$ALL

Management	
Manager Name	Start Date
Sam Vecht	1 May 2009
Christopher Colunga	30 March 2016

Investment Style Details	
Equity Style	
Market Capitalisation	% of Equity
Giant	29.60%
Large	33.70%
Medium	23.64%
Small	13.06%
Micro	0.00

Top 10 Holdings		
Total number of holdings	32	
Assets in Top 10 Holdings	57.79%	
Name	Sector	% of Assets
PJSC Lukoil ADR	Energy	8.95%
Gazprom PJSC ADR	Energy	8.77%
PKO Bank Polski SA	Financial Services	7.73%
Sberbank of Russia PJSC ADR	Financial Services	5.44%
Bank Pekao SA	Financial Services	5.36%
NOVATEK PJSC GDR	Utilities	5.11%
Lenta Ltd GDR	Consumer Cyclical	4.32%
Chemical Works of Gedeon Richter PLC	Healthcare	4.27%
Powszechny Zaklad Ubezpieczen SA	Financial Services	3.99%
Rosneft Oil Co GDR	Utilities	3.85%

Volatility Measurements	
3-Yr Std Dev (volatility)	17.10%
3-Yr Mean Return (average)	20.93%

FUND PERFORMANCE

Performance from 1 January 2013 to 28 February 2018:

	2013	2014	2015	2016	2017	2018
BlackRock Emerging Europe Investment Trust	4.34%	-25.45%	1.83%	47.55%	20.93%	8.52%
iShares MSCI Eastern Europe	-4.42%	-32.68%	-6.40%	56.54%	6.18%	5.56%

Performance over 1, 3, 5 years and since launch:

	1 year	3 years	5 years	Since Launch
BlackRock Emerging Europe Investment Trust	25.19%	76.87%	45.04%	526.52%
iShares MSCI Eastern Europe	13.73%	58.62%	15.72%	-

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 with an upbeat tone for the region. The message remains that he believes that although there is strong earnings growth this hasn't really come through in terms of re-rating of stock prices. He added that for nearly ten years this has been an unloved region and therefore it is an area that is not covered by many analysts.

This in turn means there are opportunities out there. The fund offers a good diversified mix of holdings and although the fund is up 25% over the year the market remains at a significant discount. The fund manager sees that there is little downside risk unless there is a global collapse. There are so many good stories and opportunities. Wage inflation is going up, labour markets are competitive and interest rates are likely to rise.

An increase in interest rates is positive for some of the holdings within the fund which includes banks, especially in Poland. Poland is seeing unemployment at 10-year lows and is taking in Ukrainian workers to help with demand and even this doesn't seem to be enough. Brexit is further helping these economies as skilled workers return home.

Russia is an area of change. Inflation has fallen from 16.2% to 2.2%, the Ruble has stabilised, there is little leveraging up of debt as there is no access to global markets and interest rates are likely to come down. If interest rates come down, then land prices go up and as many Russians hold their wealth in land this is positive. The biggest change for the fund is investment in Russian energy. After meetings with various companies it became clear that these had re-organised cash flow to ensure that the companies could be profitable at \$45 a barrel. At that point they started adding to the portfolio and since then the price has gone up which has helped performance.

The team look to build a concentrated portfolio of circa 30 stocks with an aim to hold for a 2 to 3-year period. Some examples of holdings include Sberbank which is paying an 8% yield, Gedeon Richter which has suffered from negative sentiment over a recent drug development (which the team believe

is overdone), National Bank of Greece which has reduced its bad debt book and PKO Bank Polski SA which should benefit from a rise in interest rates in Poland.

In summary, the manager at the moment believes that Emerging Europe reached its bottom in 2016 and still has some way to go in terms of the recovery cycle. The team are therefore positive about returns over the coming 2 to 3 years. But they also pointed out that this is a volatile geographical area and it is one that is great when it goes up but when it goes down you can lose as much as you make.

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