

# BLACKROCK CONTINENTAL EUROPEAN INCOME FUND - GBP

INVESTMENT RESEARCH NOTE  
MARCH 2024

Risk warning: The past is not necessarily a guide to future performance. The value of your investment and the income from it can fall as well as rise and is not guaranteed. You may not get back the full amount invested. Our views are based upon our understanding of current legislation in England. Levels and bases of, and reliefs from, taxation are subject to change and their value to you will depend upon your personal circumstances. You should not act on any of the information without seeking professional advice. clarity Ltd is authorised and regulated by the Financial Conduct Authority (FCA).

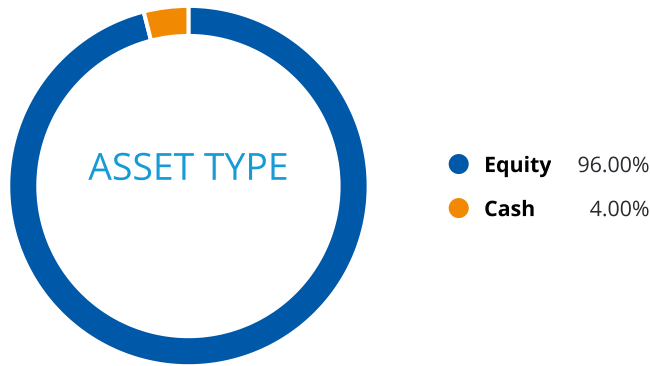
# DESCRIPTION

## SUMMARY

BlackRock is the world's largest asset manager with c.\$7trn assets under management as at June 2019. It is a US-based manager established in 1988. The firm operates globally across 70 offices in 30 countries. It started as a fixed income manager before expanding to other asset classes including a sizeable passive strategy. BlackRock is well known for creating 'Aladdin', a globally used investment reporting and risk management platform.

This Fund is managed by Andreas Zoellinger, who is part of BlackRock's European (active) equity team which consists of 20 portfolio managers ("PM") /analysts. They also tap into the firm's wider equity research resources as well as the corporate credit team. The European equity team have sector responsibilities as well as PM duties. Ultimately, it is Zoellinger (has 18 years industry experience) who makes the decisions on the fund.

The Fund aims to generate an 'above average level of income as well as long-term capital growth'. It adopts an active bottom-up, stock selection approach with an awareness of macro themes. The core thesis is to find undervalued income ideas blending dividend yields and growth potential as well as inflation protection. ESG scores are factored into the process through Aladdin. The Fund has between c. 40-70 stocks typically and is mostly a large/mid-cap focused companies (>€1bn market cap) and combines bottom-up security analysis with 'sophisticated portfolio construction. The portfolio yield has averaged around 4% since 2012, well ahead of the FTSE Europe Ex UK Index.



## INVESTMENT PROCESS

The investment philosophy is driven by identifying market inefficiencies combining bottom-up analysis, robust team debates on stocks and strong risk management.

The investment process starts with idea generation. Screens are used to filter the investment universe of 300-350 names. They are run weekly with a valuation and earnings focus. Macro strategy is studied as an overlay to the bottom-up research, utilising BlackRock's considerable scale and expertise globally.

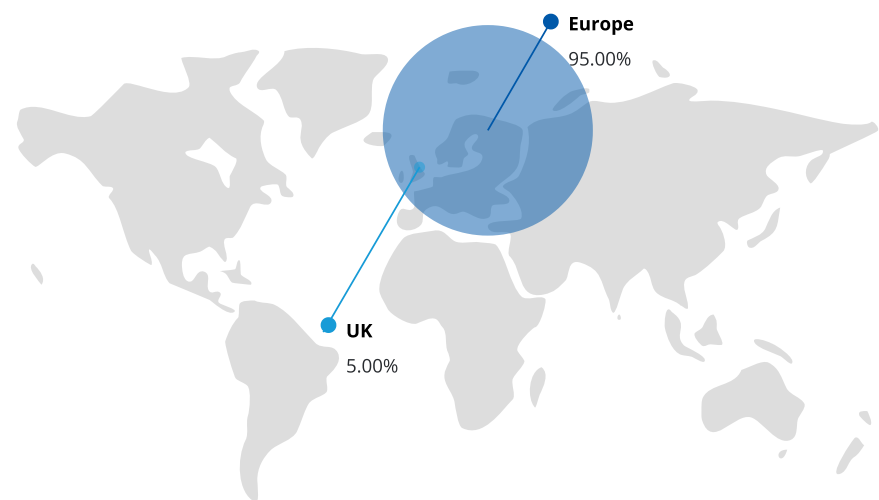
The next step is the in-depth research conducted by the analysts and PMs within the team. Fundamental analysis is carried out on companies within 'research pods', which consists of a senior team member who co-ordinates supporting analysts within each pod ensuring new ideas are brought to attention quickly. All data is captured in a proprietary research template. Company meetings are carried out too to further understand business models. The overall output is a recommendation and target price on a 12-month outlook. The team rate stocks between 1-5 with '1' being a 'strong buy' and '5' 'very negative'. This determines conviction and position sizing as well for portfolios. Decisions are discussed among the team regularly with each analyst presenting their idea to be challenged. Blackrock is making increasing use of external experts (eg medical research groupd) as well as in-house analysis of 'big data' such as Chinese credit card transaction trends. A dedicated data scientist was hired in late 2018 to further drive this process.

Portfolio construction uses a range of portfolio and risk systems to create the final list of stocks. Screens are used to identify 'over-crowding' within equity markets including fund flows. Stocks that display deteriorating fundamentals are put onto a 'hospital list' and reviewed weekly by the team. The approach is flexible, allowing for appropriate allocation depending on the market cycle.

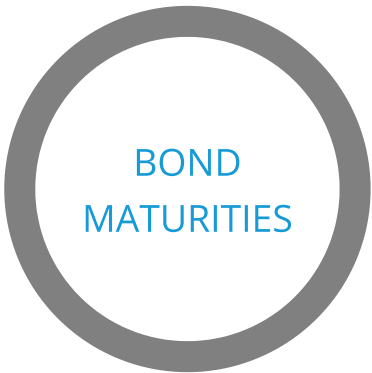
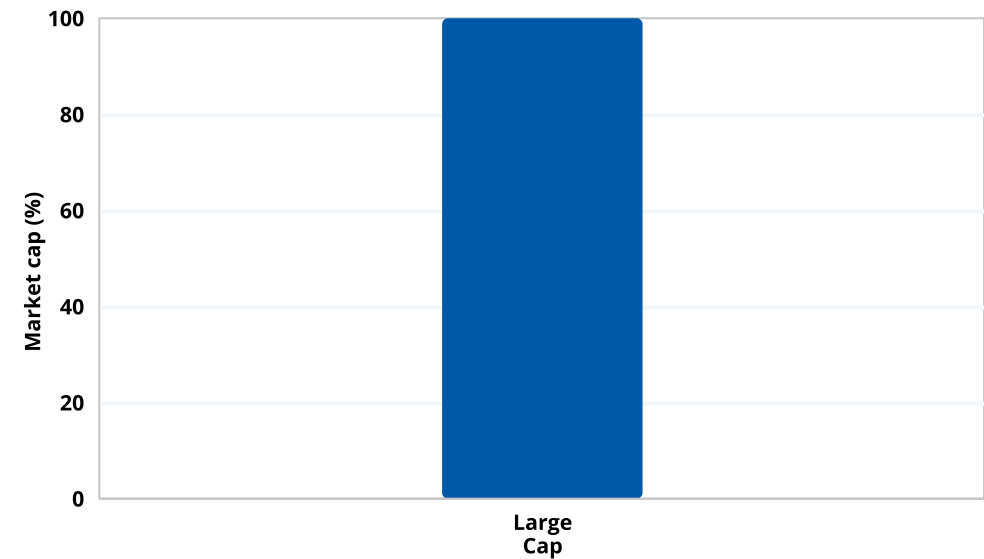
Risk control is a key function of the process. Risk parameters are adhered to to ensure no 'blind spots', diversification and hence no single stock or factor bias. The Fund aims to have a beta <1 and a tracking error range of 3-8%. The team use BlackRock's real-time analytics to test the fund's profile. Turnover is high at 100% per annum, reflecting a highly active approach to trimming holdings based around target prices. This level of turnover may have implications for Mifid2 transaction costs. Cash does not exceed 10% of the Fund. They can invest up to 10% in convertible securities.

# AGGREGATED NET EXPOSURE

## REGIONAL EXPOSURE



## EQUITY MARKET CAP (%)



Not Applicable



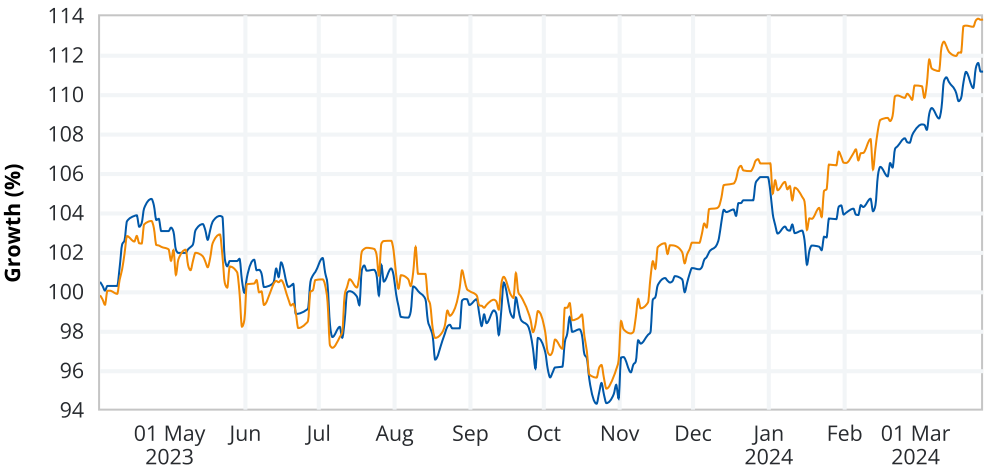
Not Applicable

# OVERALL PERFORMANCE

● Blackrock Continental European Income Fund D Acc    ● World Europe Ex UK TRI GBP

## GROWTH (%) - OVER 1 YEAR

3 Apr 2023 - 29 Mar 2024



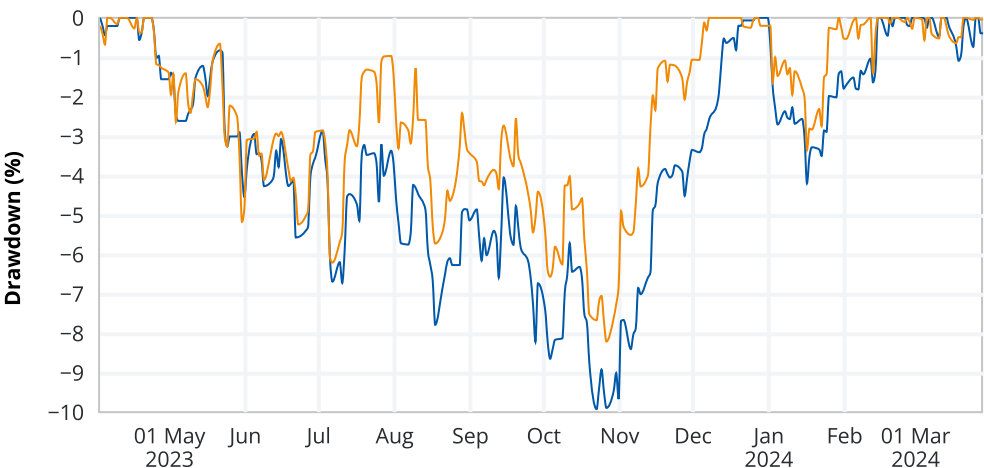
## GROWTH (%) - FROM INCEPTION

9 May 2011 - 29 Mar 2024



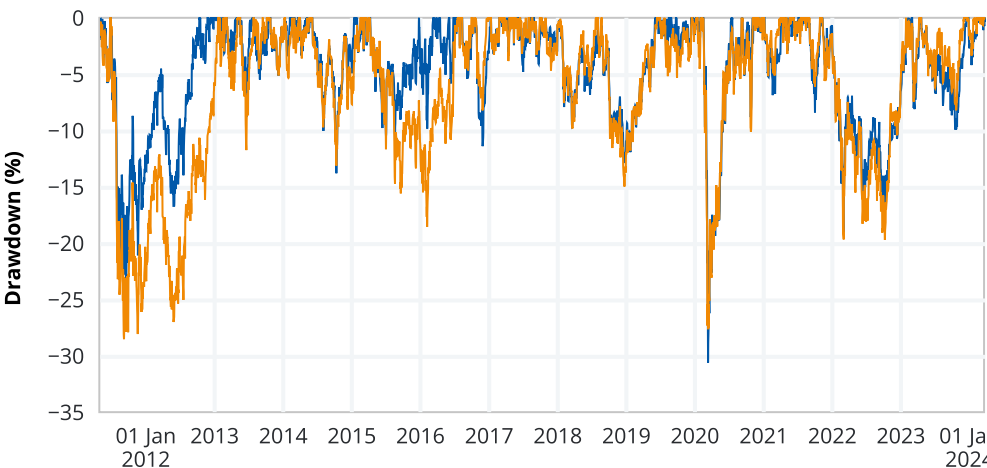
## DRAWDOWN (%) - OVER 1 YEAR

3 Apr 2023 - 29 Mar 2024



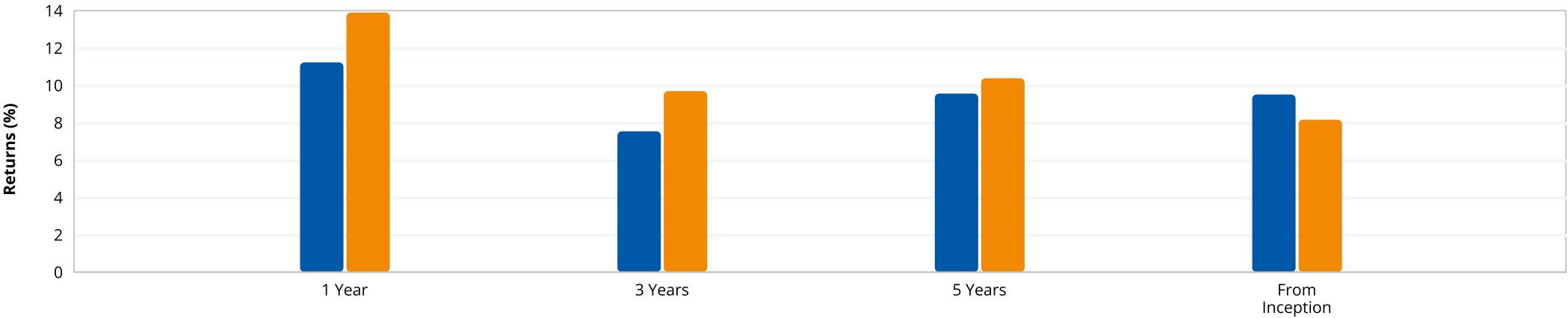
## DRAWDOWN (%) - FROM INCEPTION

9 May 2011 - 29 Mar 2024



# RETURNS

Blackrock Continental European Income Fund D Acc      World Europe Ex UK TRI GBP



## MONTHLY BREAKDOWN AND YEARLY TOTALS (%)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2024	-1.36	3.41	2.99										5.06
2023	4.14	3.70	-1.97	3.06	-2.42	0.42	0.18	-1.54	-1.97	-2.44	5.90	4.87	12.00
2022	-6.79	-4.29	5.10	-2.01	-0.37	-6.23	5.72	-2.28	-4.57	3.12	4.74	1.71	-7.05
2021	-2.62	-1.03	2.95	3.57	1.50	0.74	2.82	2.81	-4.99	3.39	-0.71	4.01	12.70
2020	1.74	-5.38	-11.92	6.10	7.35	5.76	0.68	1.61	0.83	-5.61	12.02	1.44	13.00
2019	1.57	1.18	3.51	2.51	0.43	5.49	2.26	0.97	0.53	-1.96	1.25	1.10	20.36

Capped to 6 years.

## ANNUALISED ROLLING RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
Blackrock Continental European Income Fund D Acc	11.23	7.54	9.56	9.51
World Europe Ex UK TRI GBP	13.90	9.69	10.38	8.16

## CUMULATIVE RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
Blackrock Continental European Income Fund D Acc	11.14	24.22	57.58	221.06
World Europe Ex UK TRI GBP	13.78	31.78	63.57	173.73

● Blackrock Continental European Income Fund D Acc    ● World Europe Ex UK TRI GBP

PERFORMANCE - OVER 1 YEAR

3 Apr 2023 - 29 Mar 2024

	Blackrock Continental European Income Fund D Acc	World Europe Ex UK TRI GBP
RETURNS (%)	11.23	13.90
VOLATILITY (%)	10.49	10.71
ALPHA	-0.10 *	
BETA	0.89 *	1.00
CORRELATION	0.92 *	1.00
SHARPE RATIO	0.57	0.80
SORTINO RATIO	0.84	1.18
MAX DRAWDOWN (%)	-9.92	-8.21

\*Calculated over a 3 year period where history permits.

PERFORMANCE - FROM INCEPTION

9 May 2011 - 29 Mar 2024

	Blackrock Continental European Income Fund D Acc	World Europe Ex UK TRI GBP
RETURNS (%)	9.51	8.16
VOLATILITY (%)	16.13	17.39
ALPHA	0.18	
BETA	0.87	1.00
CORRELATION	0.93	1.00
SHARPE RATIO	0.52	0.41
SORTINO RATIO	0.72	0.57
MAX DRAWDOWN (%)	-30.60	-28.52

SIMPLE STRESS TEST DRAWDOWN (%)

3 Apr 2023 - 29 Mar 2024



Stress test notes

The chart shows the calculated drawdown over the last year. The Review Point is the fund intervention point. Any drawdown above this line indicates a typical drawdown in a normal market cycle. Should the drawdown hit the review point, then this indicates that market conditions may be abnormal. This is the point that we would consider taking immediate action for an extreme market event.

# DISCLAIMER

**BlackRock Continental European Income Fund - GBP** | March 2024

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