SHORT INVESTMENT COMMENTARY

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BGF Global Equity Income Fund

Performance

The Fund fell by 1.1% over the month, underperforming its benchmark, which was up by 2.8%.

Global stocks continued to climb higher in July, with emerging markets gaining strongly during the period. Emerging markets continued to generate both positive flows and returns as commodities rallied and the US dollar weakened for the fifth month in a row, the currency’s longest losing streak since 2011. UK stocks trended upwards in July as the first round of Brexit negotiations began in Brussels on 18 July. Key topics, including the exit bill and the rights of European Union citizens, remain uncertain until the next round of talks on 28 August. Elsewhere in Europe, stocks generated positive returns as the June eurozone unemployment rate fell to 9.1%, the lowest rate since February 2009, and retail sales jumped. Business confidence improved in both France, rising for a third consecutive month to reach its highest level since 2011, and Germany, where business morale hit a record high, according to the IFO economic institute. In the US, stocks rose as US factories accelerated in June at the fastest pace in almost three years, according to the Institute for Supply Management. On the political front, the Trump administration failed to replace and repeal the Affordable Care Act. This now marks six months in office without a significant legislative achievement, despite Republican control of the House and Senate. From a sector perspective, global cyclicals, such as materials and technology stocks, led the market, while consumer staples and healthcare stocks lagged.

Stock selection within consumer staples, specifically our exposure to tobacco, detracted from performance. Stock selection within healthcare also detracted. Stock selection and our overweight to telecoms contributed to performance. Having no exposure to utilities also modestly contributed.

Rogers Communications was the top individual contributor during the month following good quarterly results which beat analyst expectations. Diageo also contributed to performance after investors responded positively to management’s upgrade to margin targets and the buy-back announcement.

Altria was the top detractor from performance following the announcement that the Food and Drug Administration would be reviewing nicotine regulation in the US. AstraZeneca was also a top detractor during the month following the failure of the MYSTIC trial.

Portfolio Activity

We sold Reynolds American during the month following the close of the British American Tobacco deal to acquire the company. We used the capital to add to a number of high-conviction holdings within the Fund, including Japan Tobacco, United Technologies and BPost. We did not buy any new positions during the month.

Outlook and Positioning

On a multi-year view, we expect global equities to deliver positive real returns and equities to beat bonds.

Over the next 12 months, however, there is a range of possible outcomes. If growth expectations continue improving, then the rotation and change in market leadership that started in July 2016 can continue. However, the path to this continued growth has obstacles. The impact of higher rates on the economy, the fragile political situation in Europe, the Chinese economic transition and the potential for US fiscal stimulus to disappoint all suggest that it is not a given that the improvement will continue throughout 2017.

In the longer-term context, we continue to believe that any improvement is a ‘mini-cycle’ within a structural trend of a lower-growth, more volatile world economy characterised by demographic headwinds, slowing productivity gains and high levels of debt. In this longer-term environment, companies which are able to deliver good growth with high returns on capital, regardless of the macroeconomic environment, should outperform.
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July 2017

Performance shown as at end Jul 2017 in USD ($) on a NAV price basis with income reinvested. Performance figures are calculated net of annual fees. Fund benchmark: MSCI All Country World Index (Net Total Return). Source: BlackRock Datastream. In Singapore, this material is issued by BlackRock (Singapore) Limited (company registration number: 200010143N) for professional intermediaries and Accredited Investors only. In Hong Kong, this information is issued by BlackRock Asset Management North Asia Limited. This material is for distribution to “Professional Investors” (as defined in the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong)) and should not be relied upon by any other persons or redistributed to retail clients in Hong Kong. For Hong Kong investors, please refer to the BlackRock Global Funds Prospectus for details, including risk factors. The Funds mentioned in this document are Funds of BlackRock Global Funds. Past performance is not a guide to future performance and should not be the sole factor of consideration when selecting a product. All financial investments involve an element of risk. Therefore, the value of your investment and the income from it will vary and your initial investment amount cannot be guaranteed. Investors may not get back the amount they invest. Changes in the rates of exchange between currencies may cause the value of investments to go up and down. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Levels and basis of taxation may change from time to time. The fund specific risks and other warnings are explained in greater detail in the current BGF Singapore Prospectus and you should read them before investing. This document is for informational purposes only and does not constitute an offer or invitation to anyone to invest in any BlackRock Group funds and has not been prepared in connection with any such offer. The Fund may use or invest in financial derivatives. Subject to the express requirements of any client specific investment management agreement or relating to the management of a fund, we will not provide notice of any changes to our personnel, structure, policies, process, objectives or, without limitation, any other matter contained in this document. BlackRock Global Funds (BGF) is an open-ended investment company established in Luxembourg which is available for sale in certain jurisdictions only. BGF is not available for sale in the U.S. or to U.S. persons. Product information concerning BGF should not be published in the U.S. Reference to specific company names is for illustrations only and should not be construed as investment advice or recommendation. BGF has appointed BlackRock (Singapore) Limited as its Singapore representative and agent for service of process. Subscriptions in BGF are valid only if made on the basis of the current Prospectus and the most recent financial reports which are available on our website www.blackrock.com/sg. Any research in this document has been procured and may have been acted on by BlackRock for its own purpose. The results of such research are for illustrative purpose only. The views expressed do not constitute investment or any other advice and are subject to change. They do not necessarily reflect the views of any company in the BlackRock Group or any part thereof and no assurances are made as to their accuracy. Unless otherwise specified, all information contained in this document is as of end Jul 2017. No part of this material may be reproduced, stored in retrieval system or transmitted in any form or by any means, electronic, mechanical, recording or otherwise, without the prior written consent of BlackRock. ©2017 BlackRock, Inc., All Rights Reserved.