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FOR PROFESSIONAL INVESTORS ONLY

BGF Emerging Europe

March 2012

FOR PROFESSIONAL INVESTORS ONLY

Agenda

Team, Philosophy and Process

Portfolio Positioning and Performance

The Investment Case for Emerging Europe

BlackRock Emerging Europe: Team



Sam Vecht, Lead manager



David Reid, Russia & CIS

Marc Cox
Product Specialist

Fiona Ellard
Product Specialist

Emily Fletcher
Frontiers (m)

Gordon Fraser
Turkey

Denis Kalugin
Russia CIS

Charlie Shilling
Dealer

Karthik Sankaran
Financials

Sophie Steel
Frontiers

Henry Wigan
Eastern Europe/ Macro

\$17bn + AuM in Emerging Market equities

- \$2bn invested in Global Emerging Markets equities
- \$2bn invested in Asian-Pacific equities
- \$4bn invested in E. Europe and Frontier equities
- \$7bn invested in Latin America equities
- \$2bn invested in Indian equities

31 Investment professionals

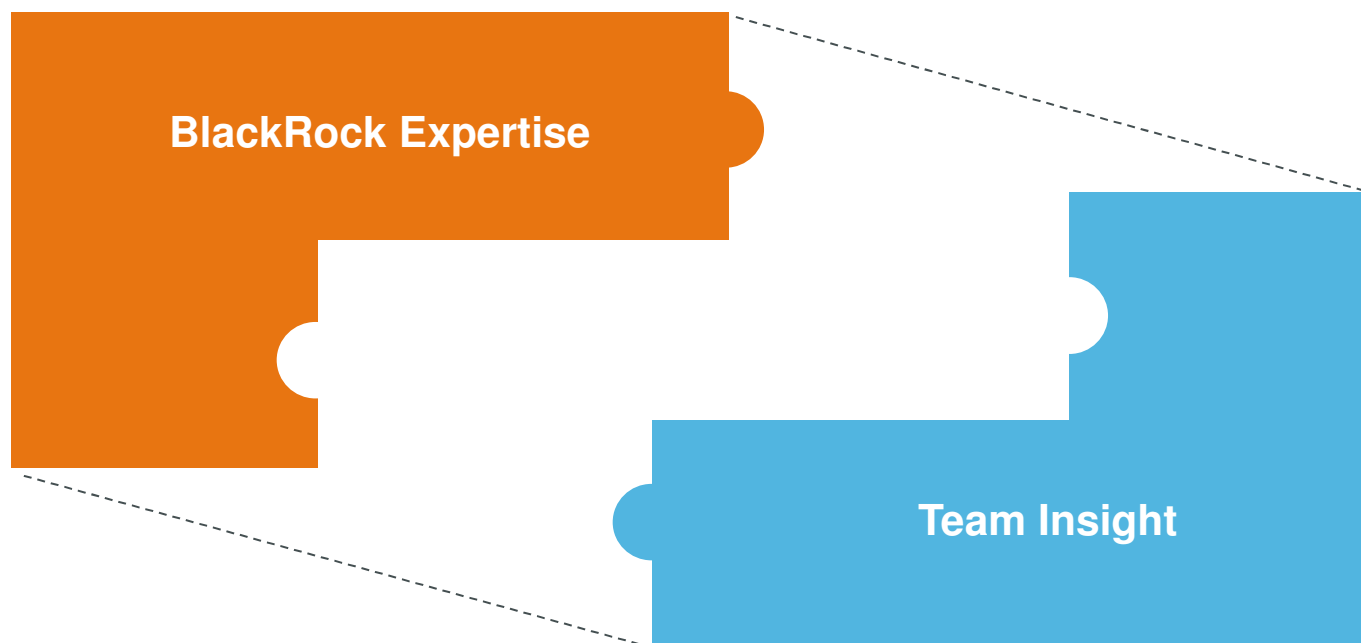
- 11 based in London
- 3 based in New York/Princeton
- 1 based in Sao Paulo
- 8 based in Hong Kong
- 6 based in Mumbai

Source: BlackRock December 2011. m Maternity leave

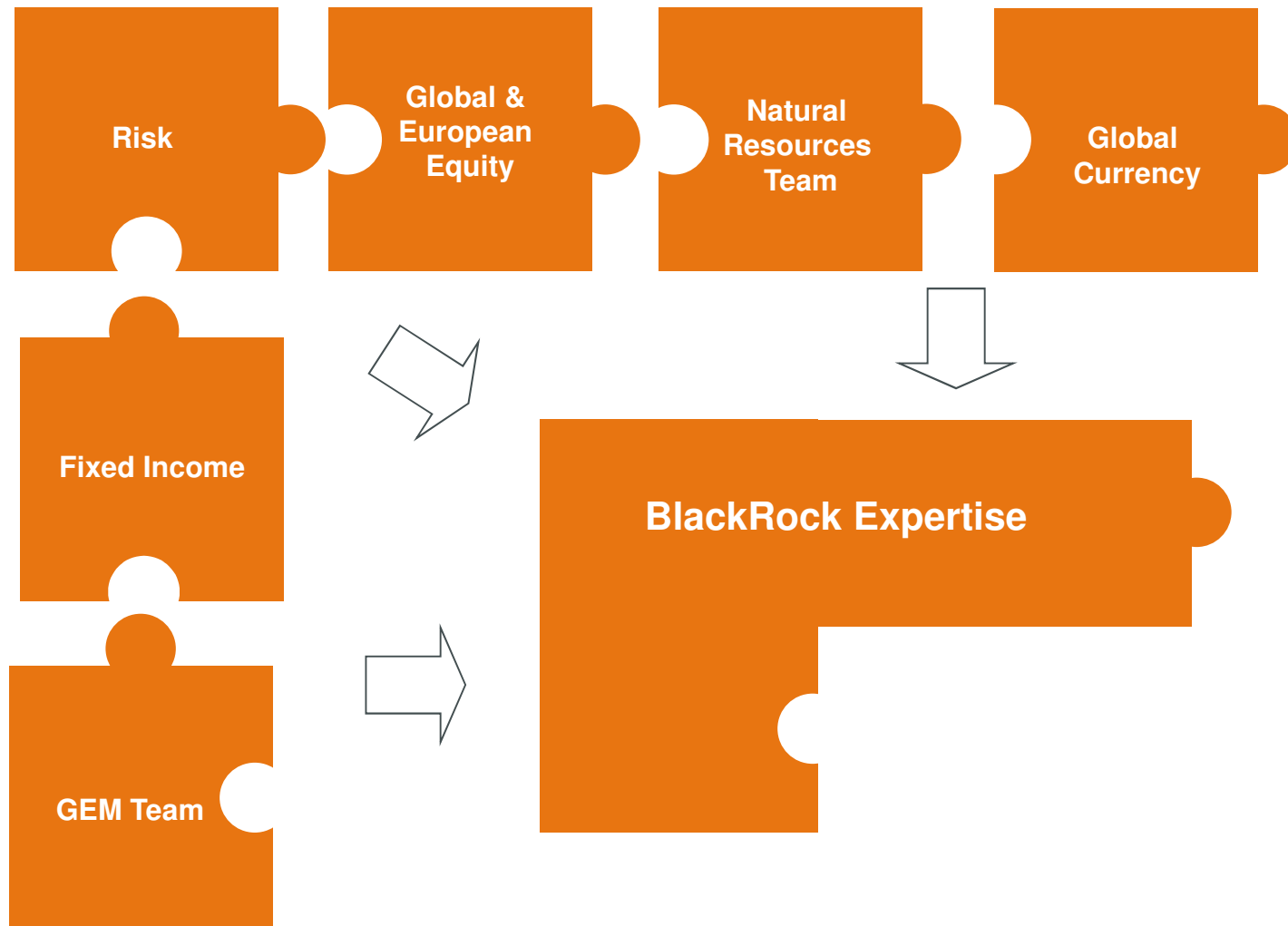
BlackRock Emerging Europe Team: Philosophy

More relevant	Less relevant
Cash Flow Growth	GDP Growth
Valuation	Extrapolation
Country's history	Country's geography
Economics	Literature
Accounting	Marketing

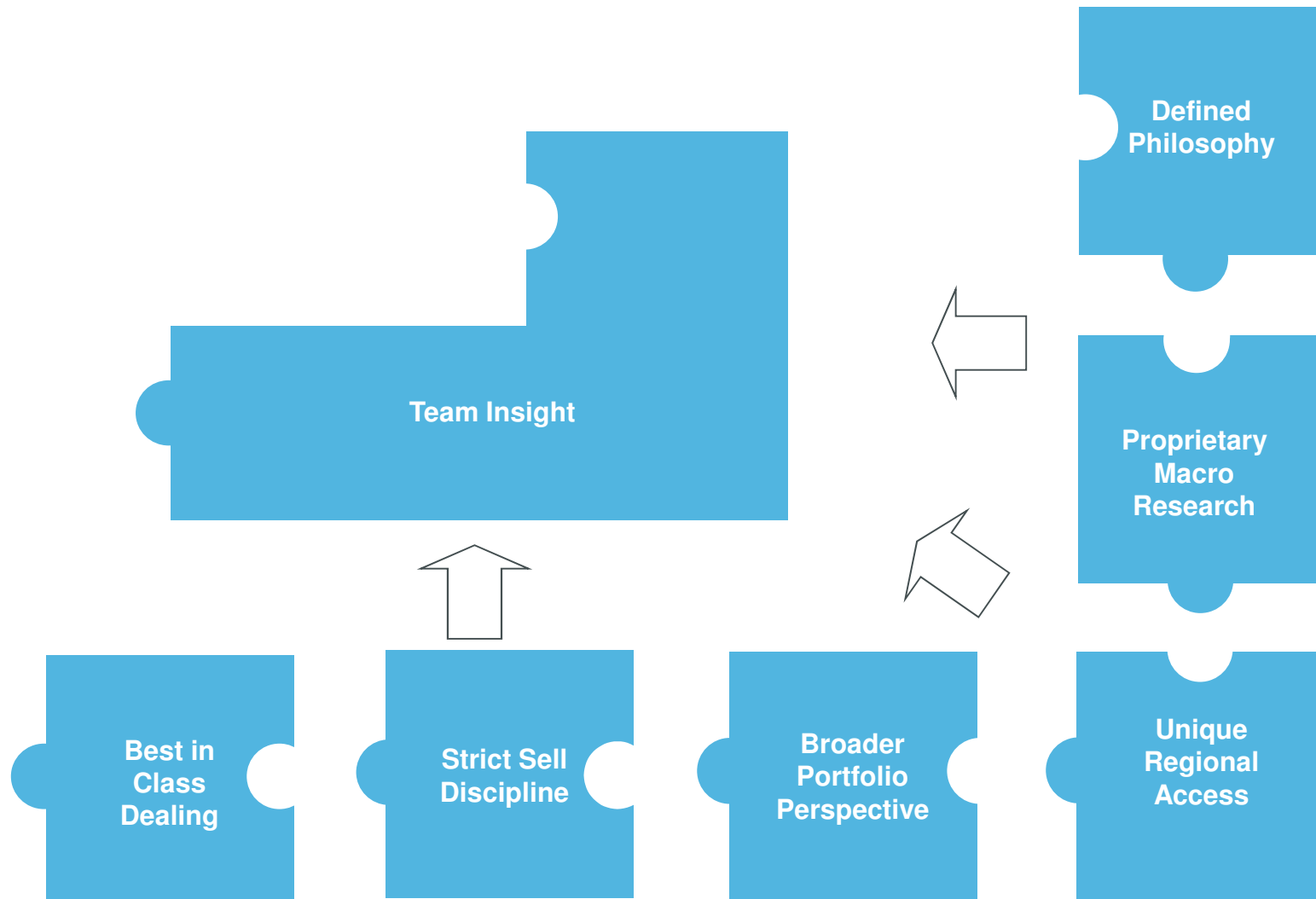
The BlackRock Emerging Europe Team



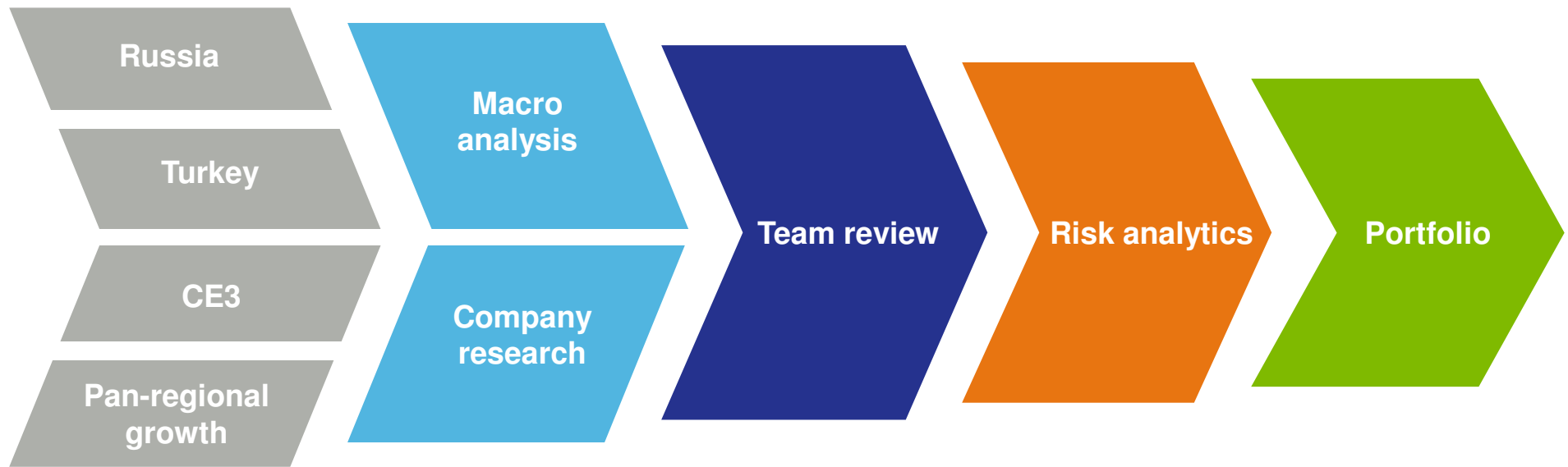
The BlackRock Emerging Europe Team: BlackRock Expertise



The BlackRock Emerging Europe Team: Team Insight

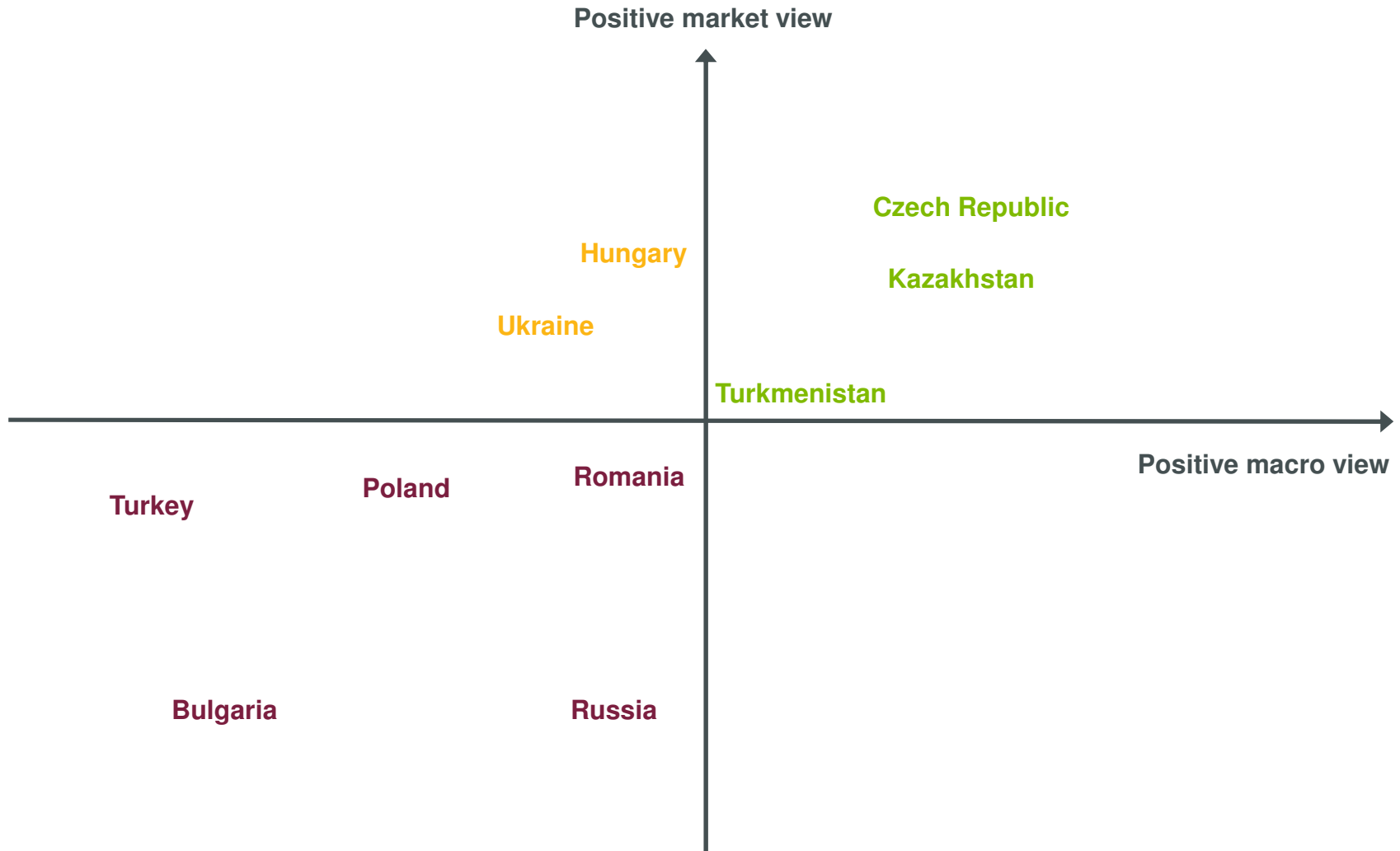


Emerging Europe Equity Team: Investment Process



A disciplined approach to research and portfolio construction

BlackRock Emerging Europe Team: Macro Process



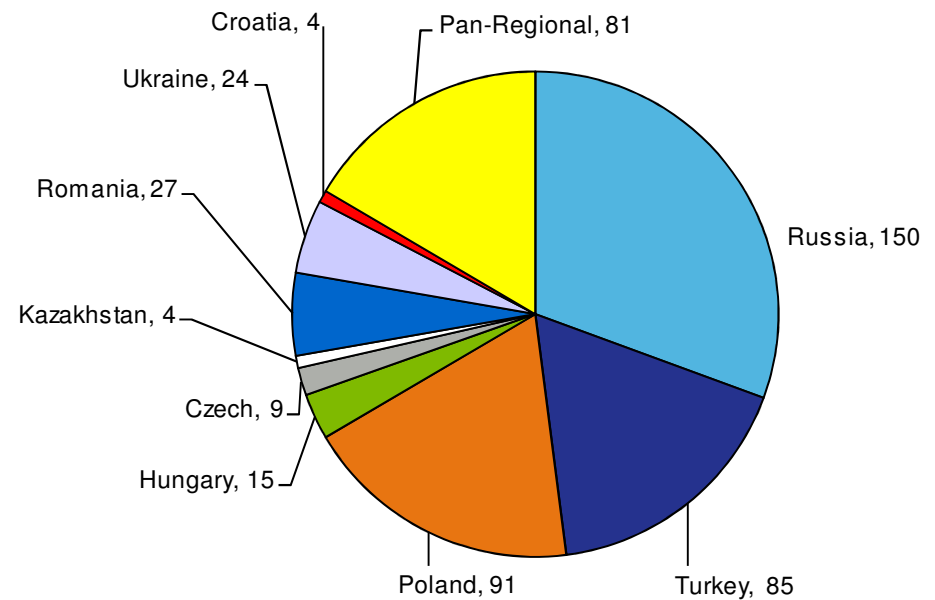
Source: BlackRock February 2012. Model portfolio is illustrative of expanded mandate and does not necessarily represent current or future portfolio holdings.

BlackRock Emerging Europe Team: Company Research with Unique Access

- Over 490 company meetings held in the last 12 months
- Additional meetings held with
 - Central bankers
 - Politicians
 - Industry experts



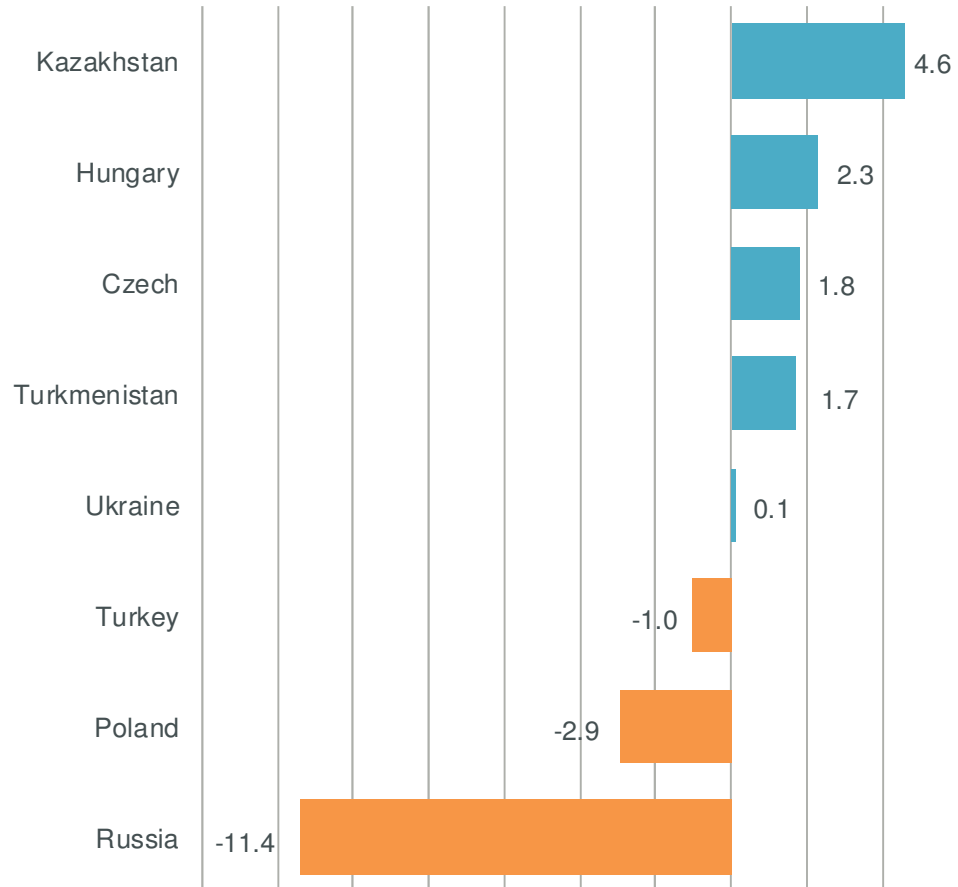
Turkey analyst, Gordon Fraser meets with Turkish president, Abdullah Gül



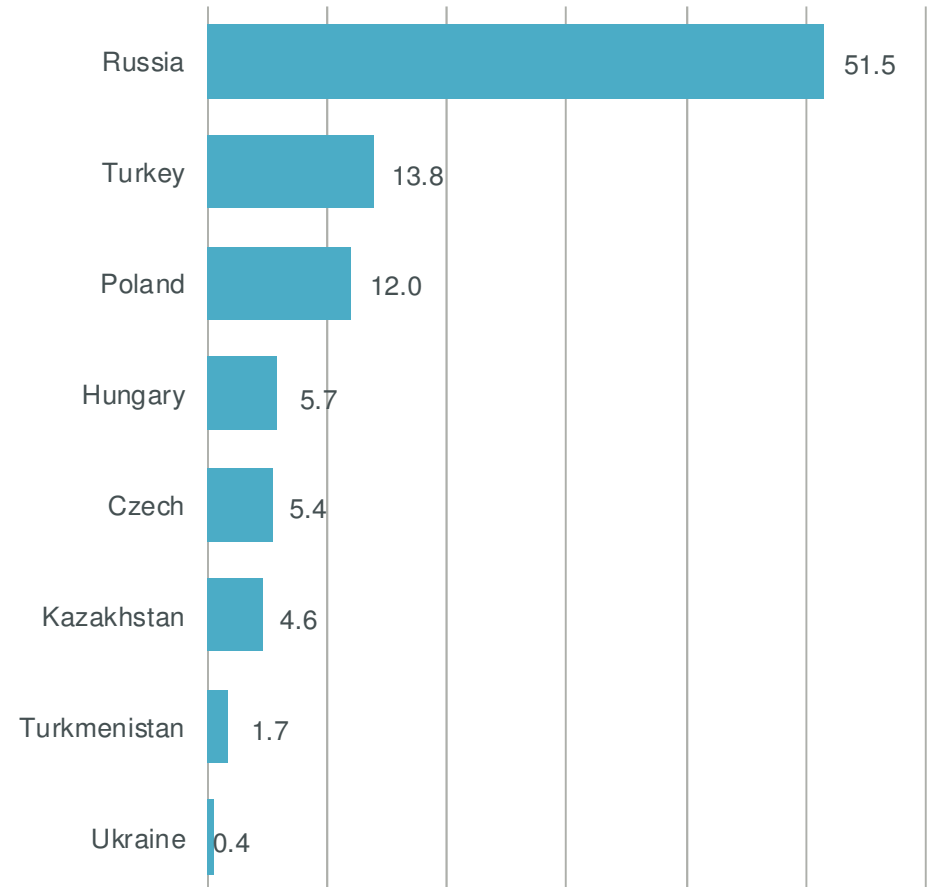
* Excludes conference calls December 2011

BGF Emerging Europe Fund: Country allocations (%)

Countries relative to MSCI Emerging Europe 10/40 index



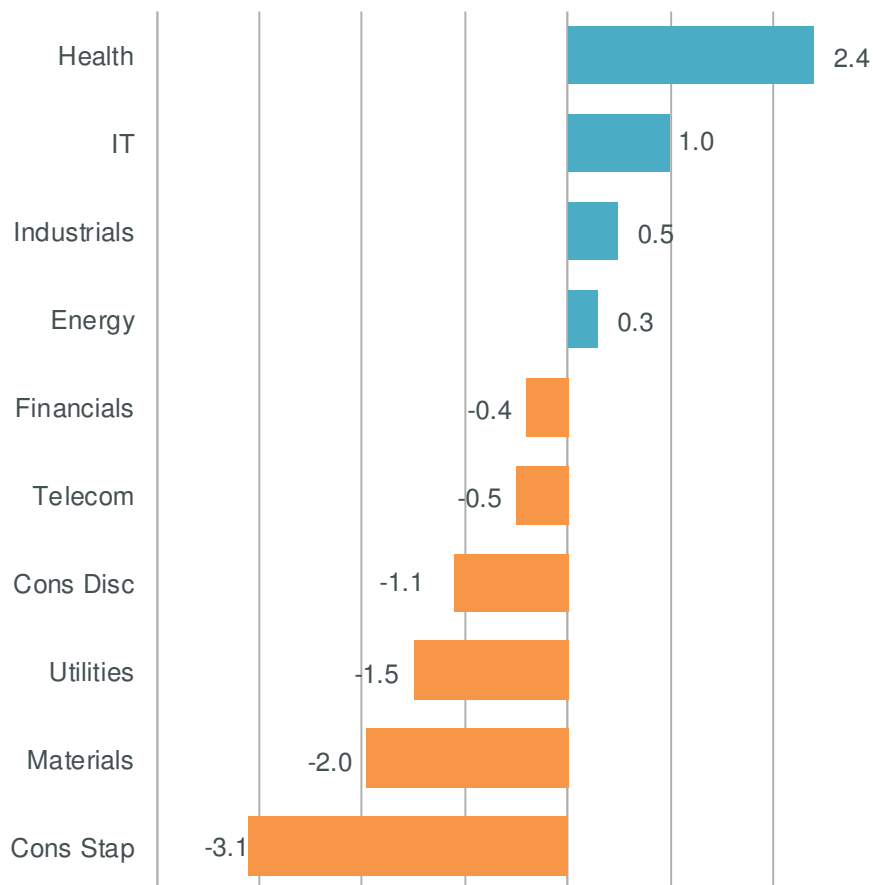
Country absolute weights



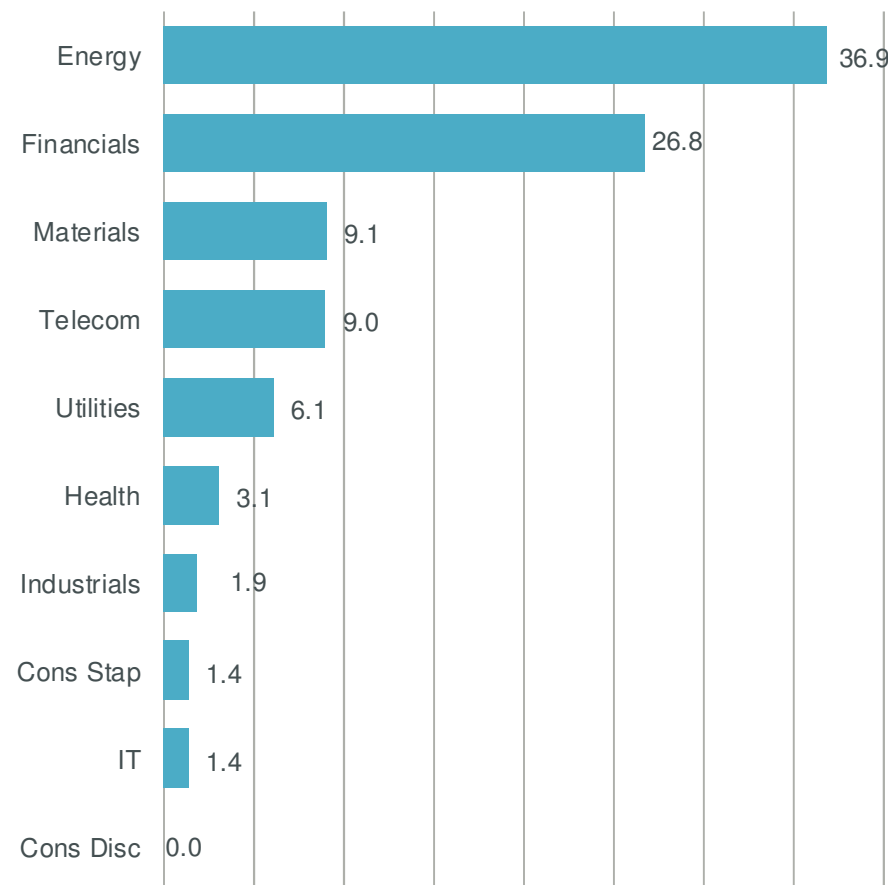
Source: BlackRock, 29th February 2012. Weightings as of date shown and do not necessarily represent current or future portfolio holdings.

BGF Emerging Europe Fund: Relative positioning (%)

Sectors relative to MSCI Emerging Europe 10/40 index



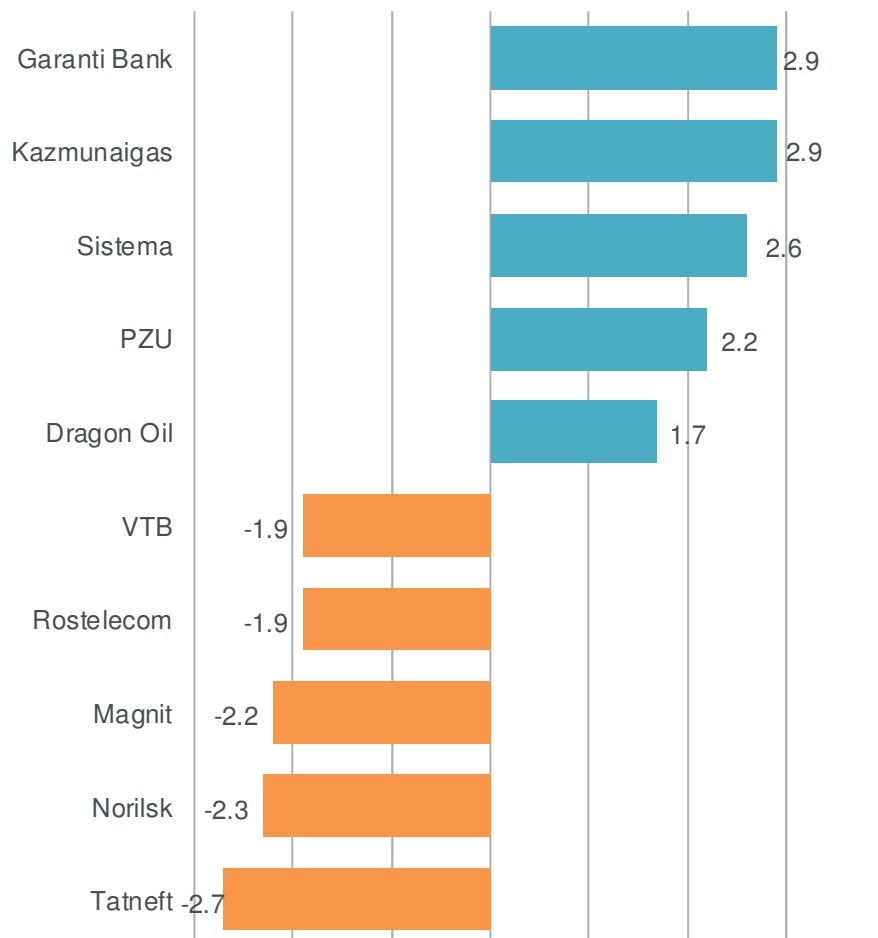
Sector absolute weights



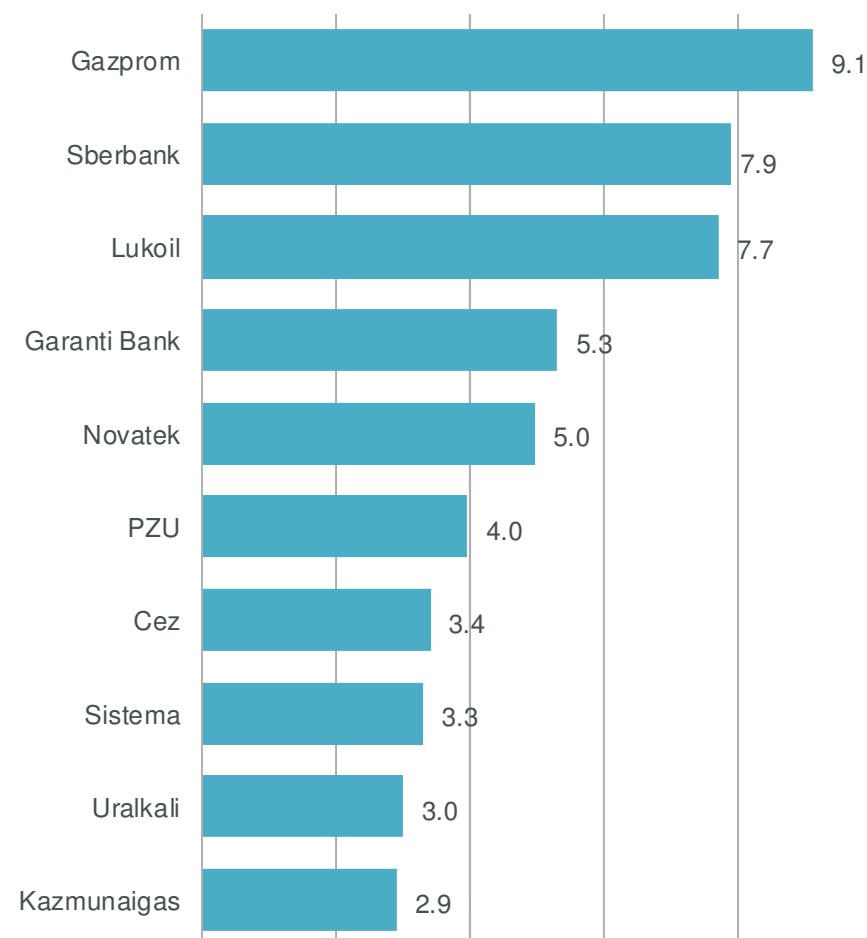
Source: BlackRock, 29th February 2012. Weightings as of date shown and do not necessarily represent current or future portfolio holdings.

BGF Emerging Europe Fund: Largest active positions (%)

Stocks relative to MSCI Emerging Europe 10/40 index

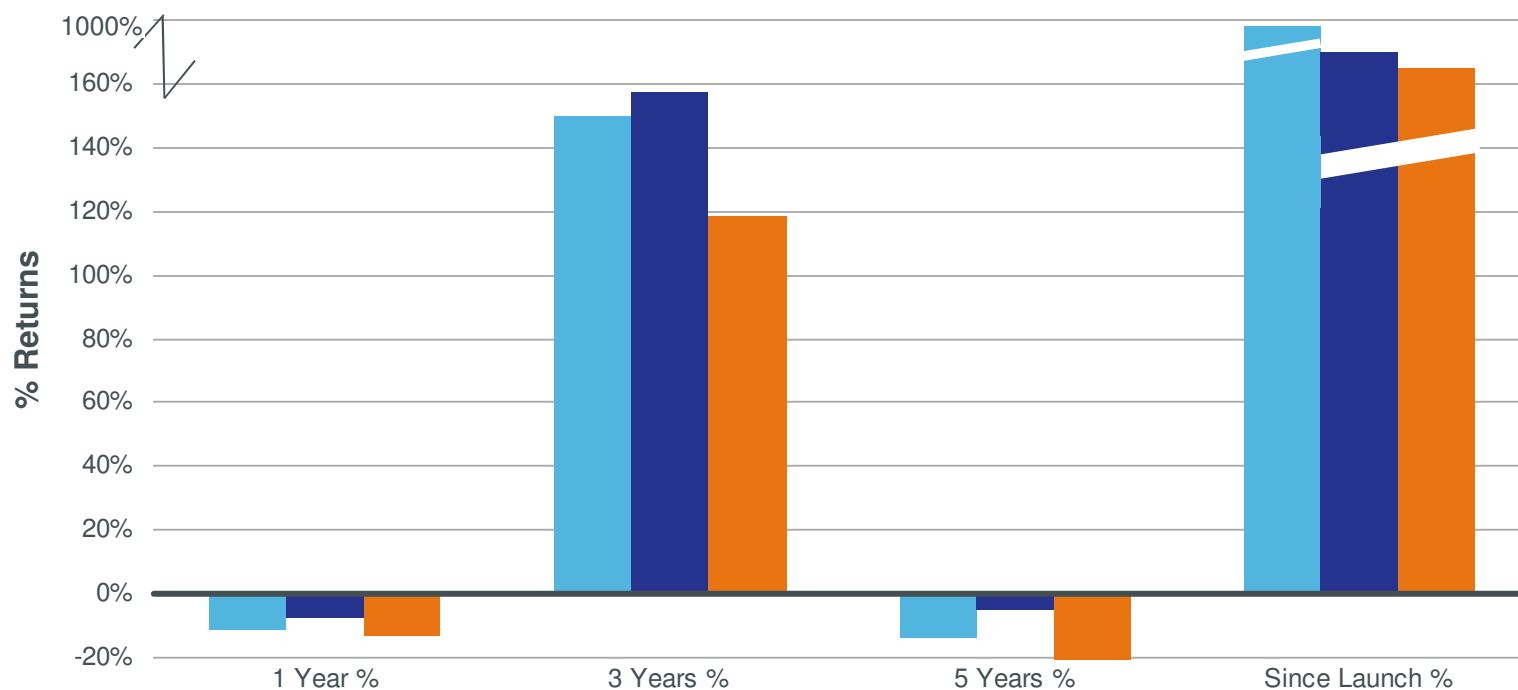


Stocks absolute weights



Source: BlackRock, 29th February 2012. Weightings as of date shown and do not necessarily represent current or future portfolio holdings.

BGF Emerging Europe Fund performance to 29th February 2012



■ BGF Emerging Europe Fund	-11.0%	150.0%	-13.5%	926%
■ MSCI Emerging Europe 10/40 Index	-7.4%	157.3%	-4.7%	460%
■ Peer Group	-12.9%	118.8%	-20.8%	536%
Peer Group Rankings	22/59	13/57	15/47	1/8

Inception date: 29 December 1995

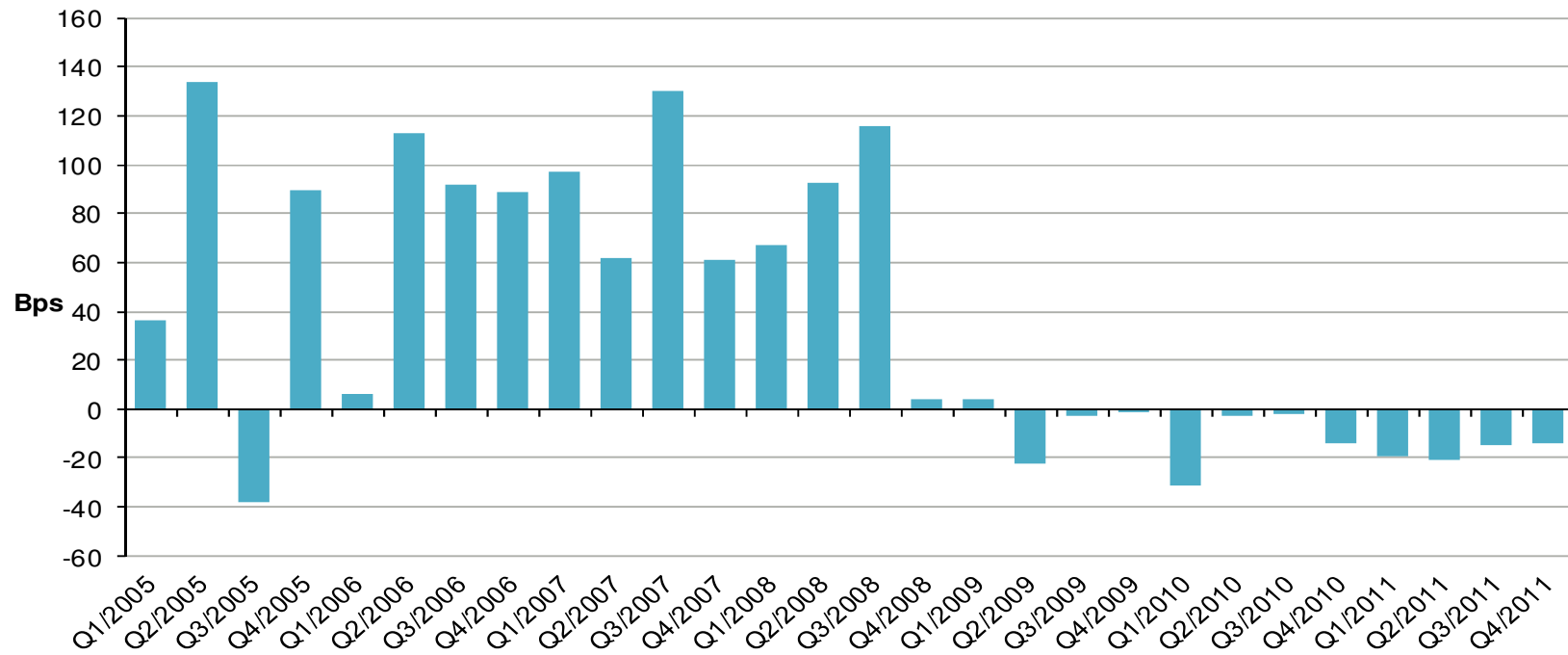
Sources: Fund – BlackRock Indices - Datastream.

BGF Emerging Europe Fund and benchmark as at 29th February 2012 in EUR on a NAV price basis with income reinvested. Performance figures are calculated gross of annual fees

ISIN Code: LU0011850392

Efficient dealing

Dealing costs

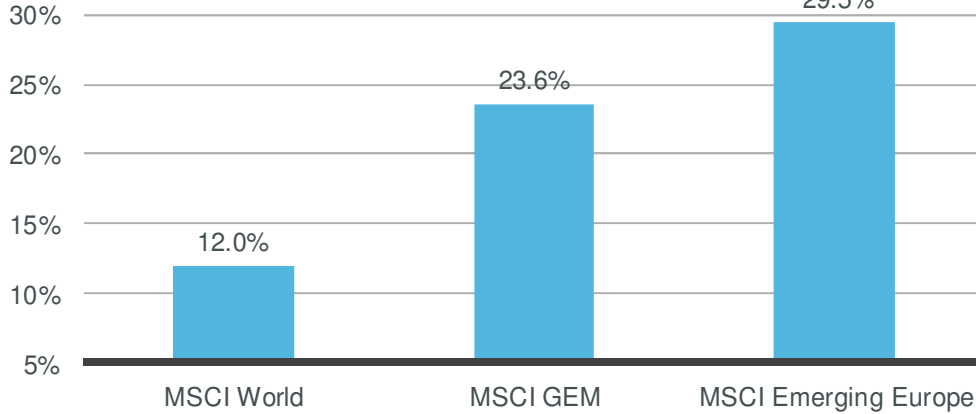


Source: BlackRock, 31st December 2011

Emerging Europe: Fast Growth, Deep Value

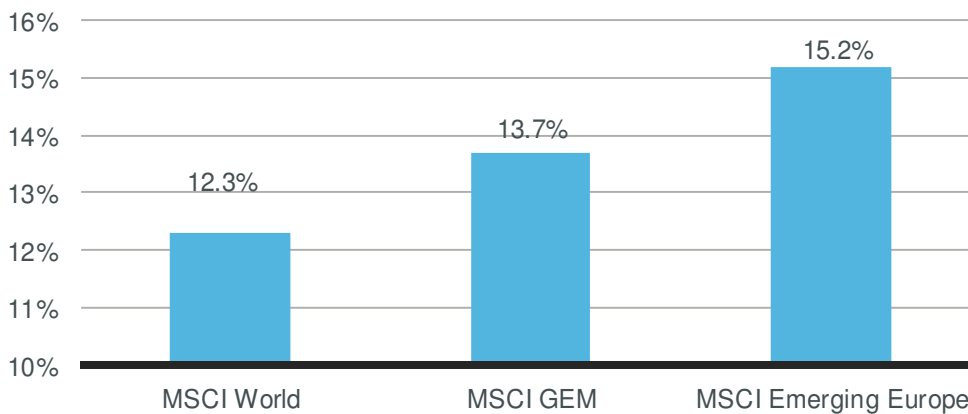
High growth...

10 year EPS CAGR



...And high returns

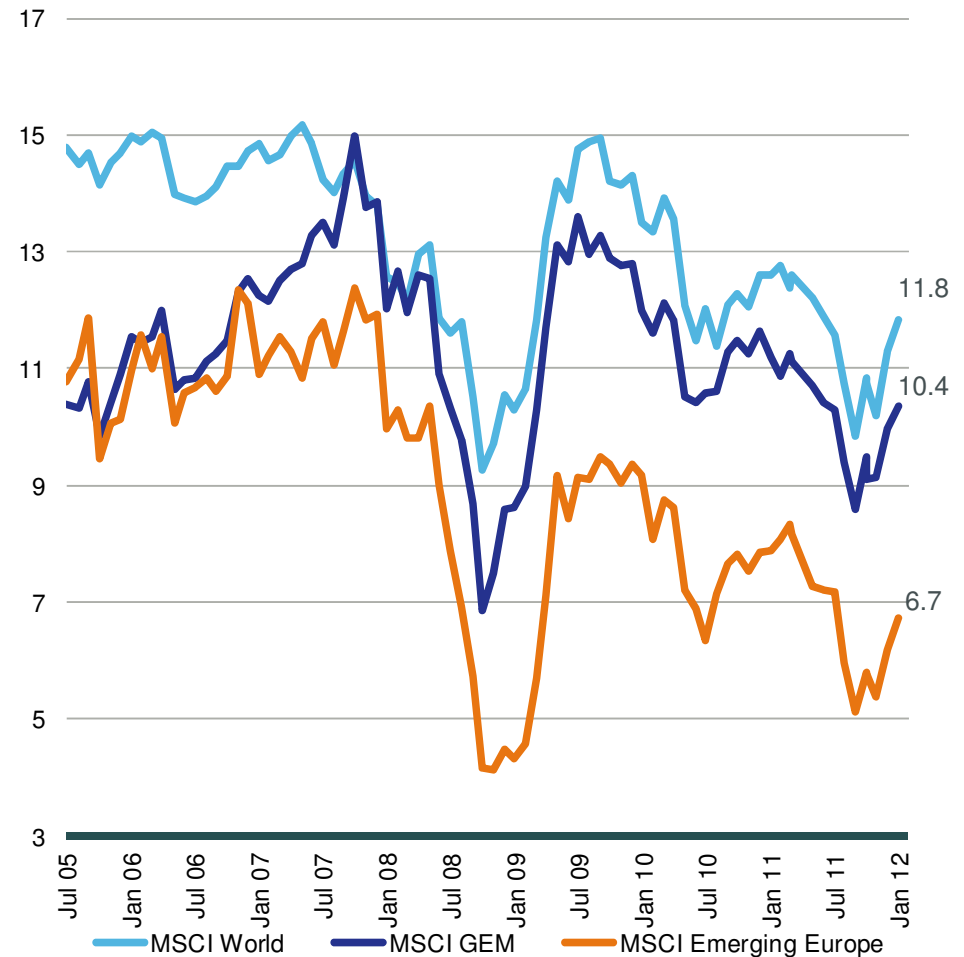
10 year average ROE



Source: BlackRock, Citigroup, 29th February 2012

...At low valuations

P/E Ratio



Investment Case: East diverges from West

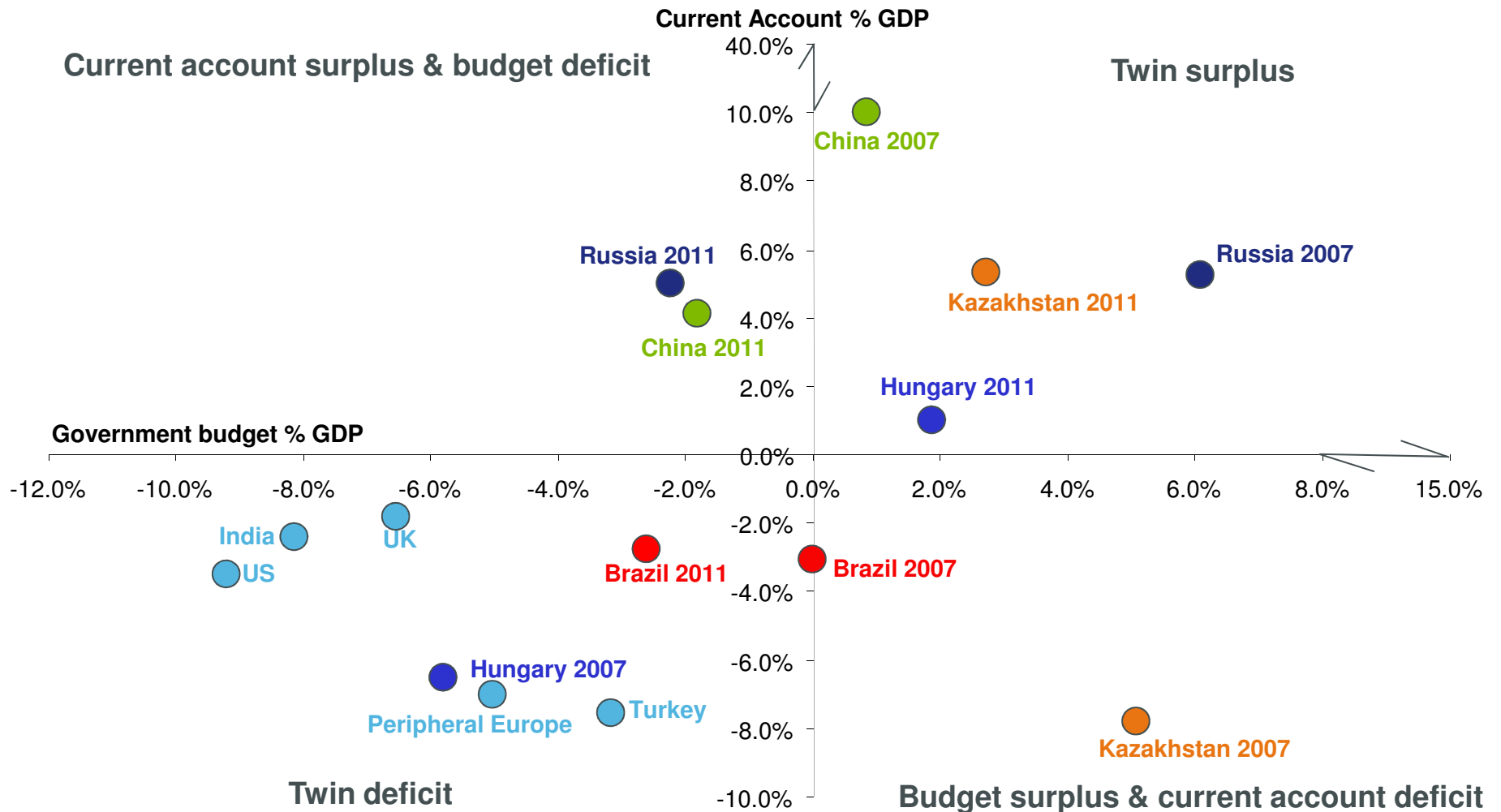
March 2011: Fitch upgrade Latvia foreign currency credit rating from BB+ to BBB-
March 2011: S&P upgrade Serbia foreign currency credit rating from BB- to BB
July 2011: Hungary rating outlook changed by Fitch from 'negative' to 'stable'
July 2011: Romania upgraded by Fitch to investment grade, BBB-
August 2011: Czech upgraded by S&P to AA-
September 2011: Turkey lira debt upgraded by S&P to BBB-
November 2011: Kazakhstan upgraded by S&P to BBB+



March 2011: Moody's downgrade Spain to Aa2
March 2011: S&P downgrade Greece to BB-
April 2011: Moody's downgrade Portugal to Baa1-
May 2011: S&P downgrade Greece to B
June 2011: S&P downgrade Greece to CCC
July 2011: Moody's downgrade Portugal to Ba2
July 2011: S&P downgrade Greece to CC
September 2011: S&P downgrade Italy to A
October 2011: Spain downgraded by S&P, Moody's & Fitch
November 2011: Hungary rating downgraded by Moody's to Ba1

Source: BlackRock, November 2011

Investment Case: Surpluses Are Now Surprisingly Hard To Find



Source: Citigroup, Haver, IMF, BlackRock, September 2011 estimates unless stated

Investment Case: Fiscal Strength

Developed World: high deficits, rising debt burden, low growth

Emerging Europe: low deficits, falling debt burden, higher growth

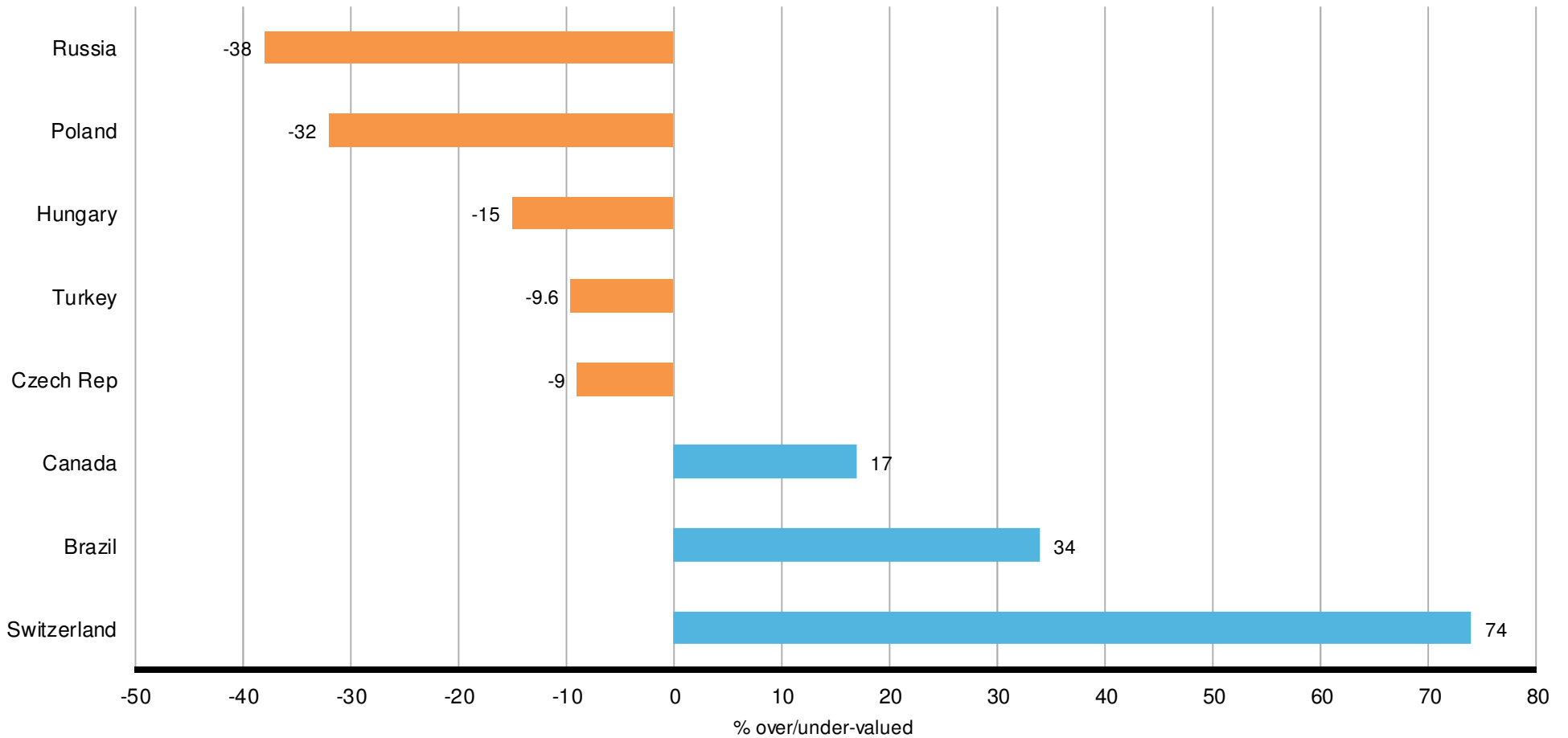
Public debt/GDP:

	2005	2007	2009	2011 E	Δ 2005 to 2011
Poland	48%	45%	50%	55%	+7%
Russia	13%	7%	8%	12%	-1%
Turkey	51%	40%	46%	40%	-11%
UK	42%	42%	68%	85%	+43%
US	65%	66%	87%	100%	+35%
Japan	191%	188%	218%	233%	+42%

Source: IMF 31st December 2011

Investment Case: Undervalued Currencies

The Big Mac index



Source: The Economist, Bloomberg February 2012

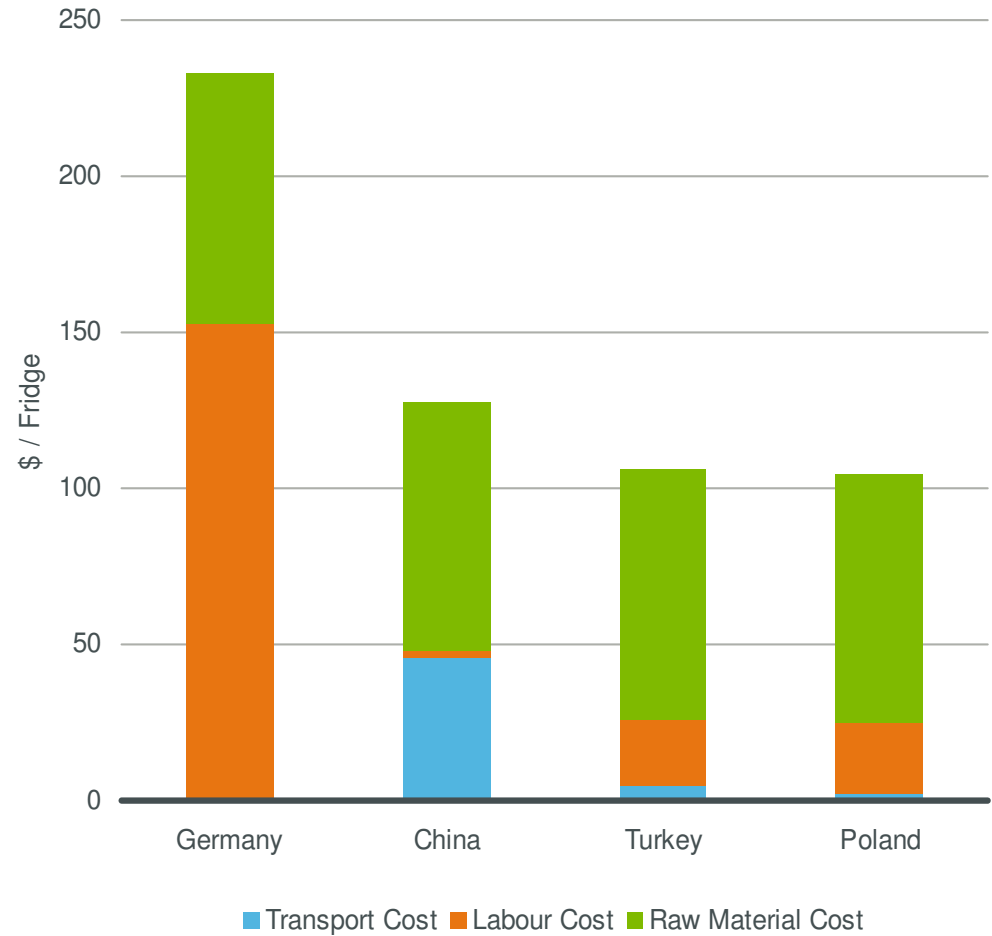
Investment Case: An Attractive Manufacturing Hub

Emerging Europe benefits from:

- Low labour costs
- Highly educated populace
- Proximity to core markets



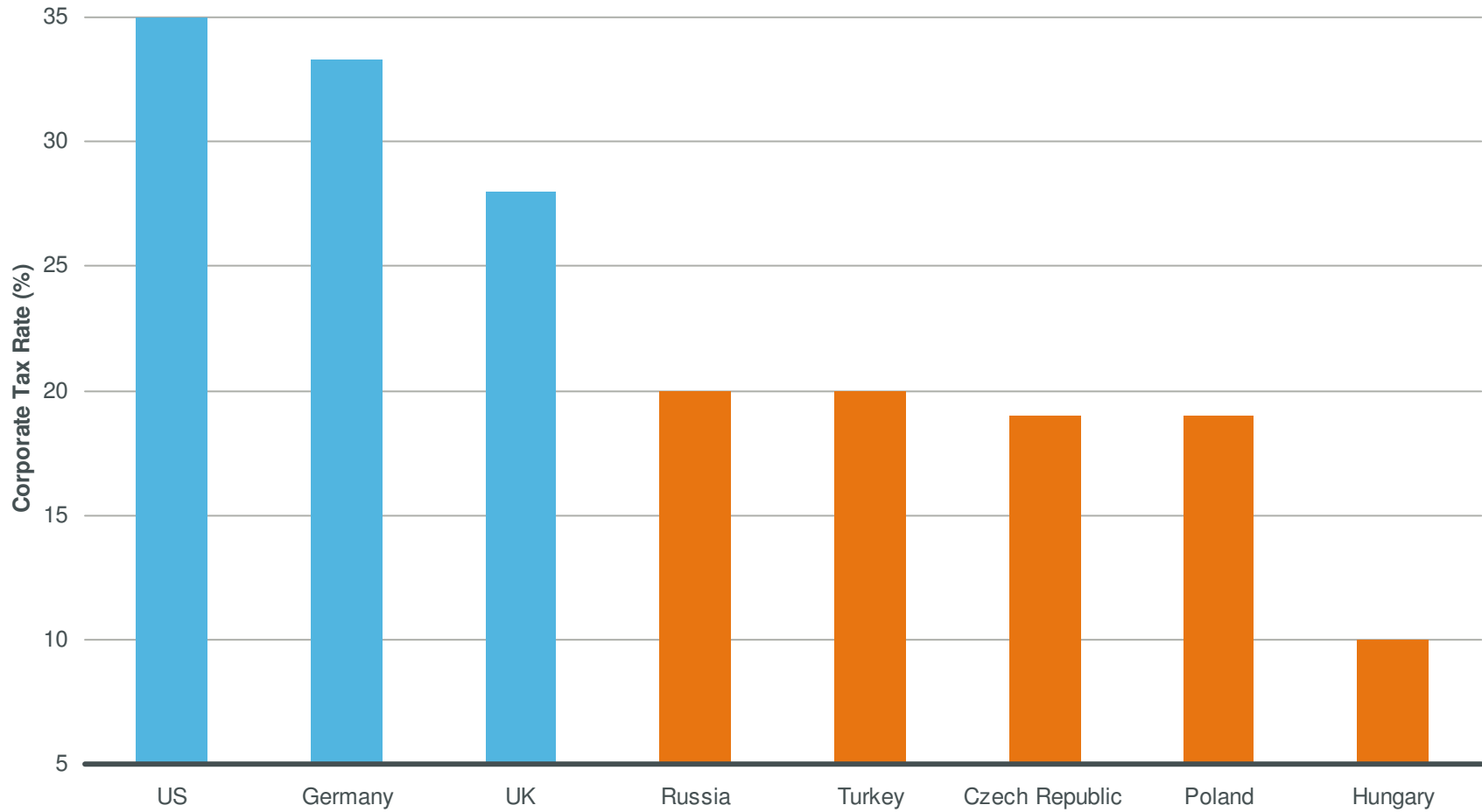
Cost of producing a refrigerator and exporting to Germany



Source: Whirlpool, Shanghai Shipping Exchange, Arcelik, ING, 31st August 2010

Investment Case: A Great Place To Do Business

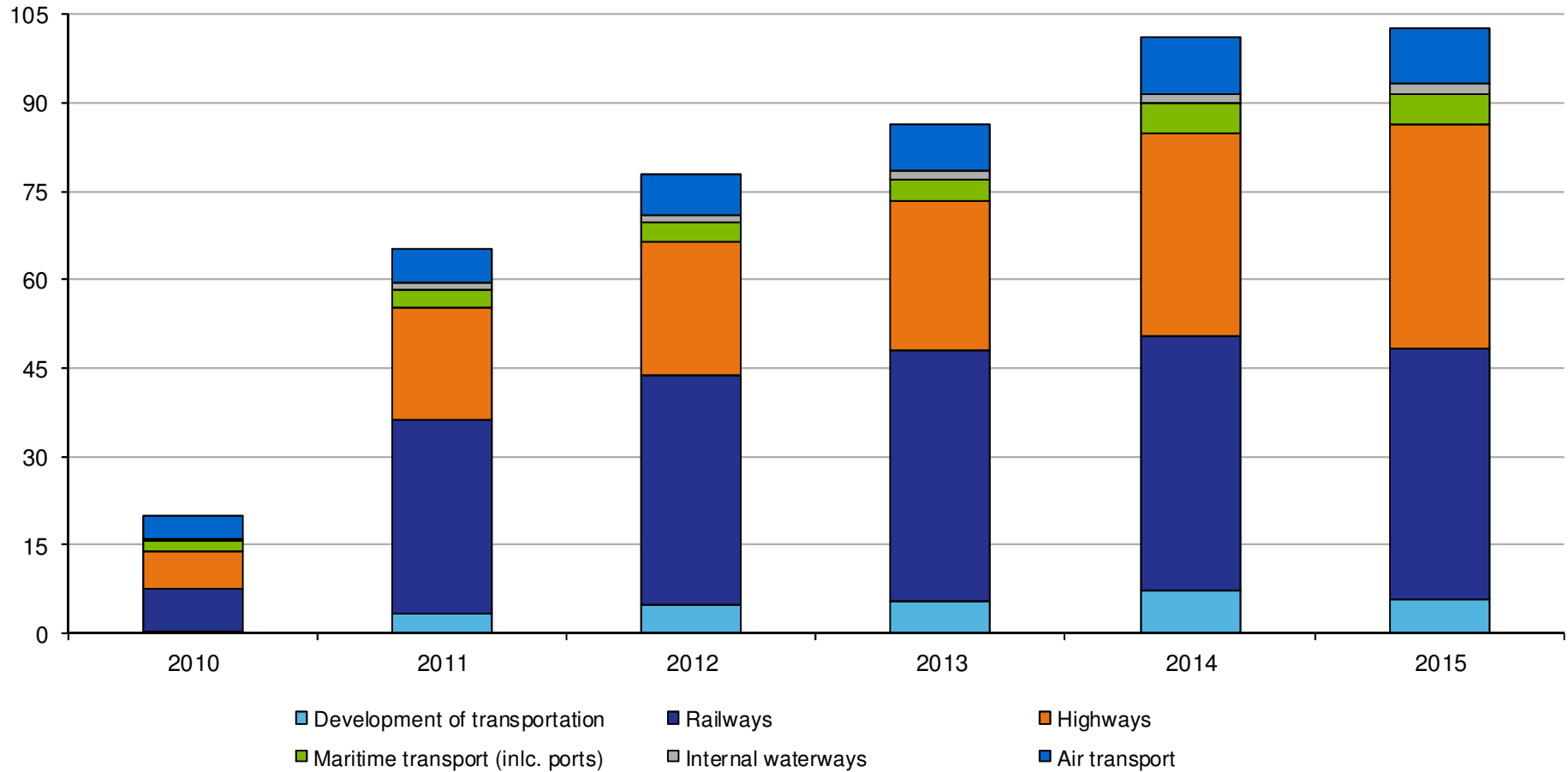
2011 Corporate tax rates



Source: Taxrates.cc 2010-2011

Investment Case: Russian Infrastructure Moving Into The Fast Lane

Transport infrastructure plans (\$bn)



Source: Russia Ministry of Transport, January 2011

Investment Case: Valuation Analysis

Stock	5 year average ROE	X	2013e Book value per share	=	2013e "normalised" earnings per share	X	5 year average P/E	=	2013 target price	Current price	Upside
Garanti	27.7%		6.3		1.8		8.6		15.1	6.32	139%
Kazmunaigas	27.6%		26.1		7.2		6.0		43.2	16.7	159%
Sistema	17.7%		22.8		4.0		10		40.4	19.5	107%
Cez	22.9%		546.8		125.3		11		1378	746.3	85%
Novatek	25.8%		28.1		224		23.4		170	149.5	14%

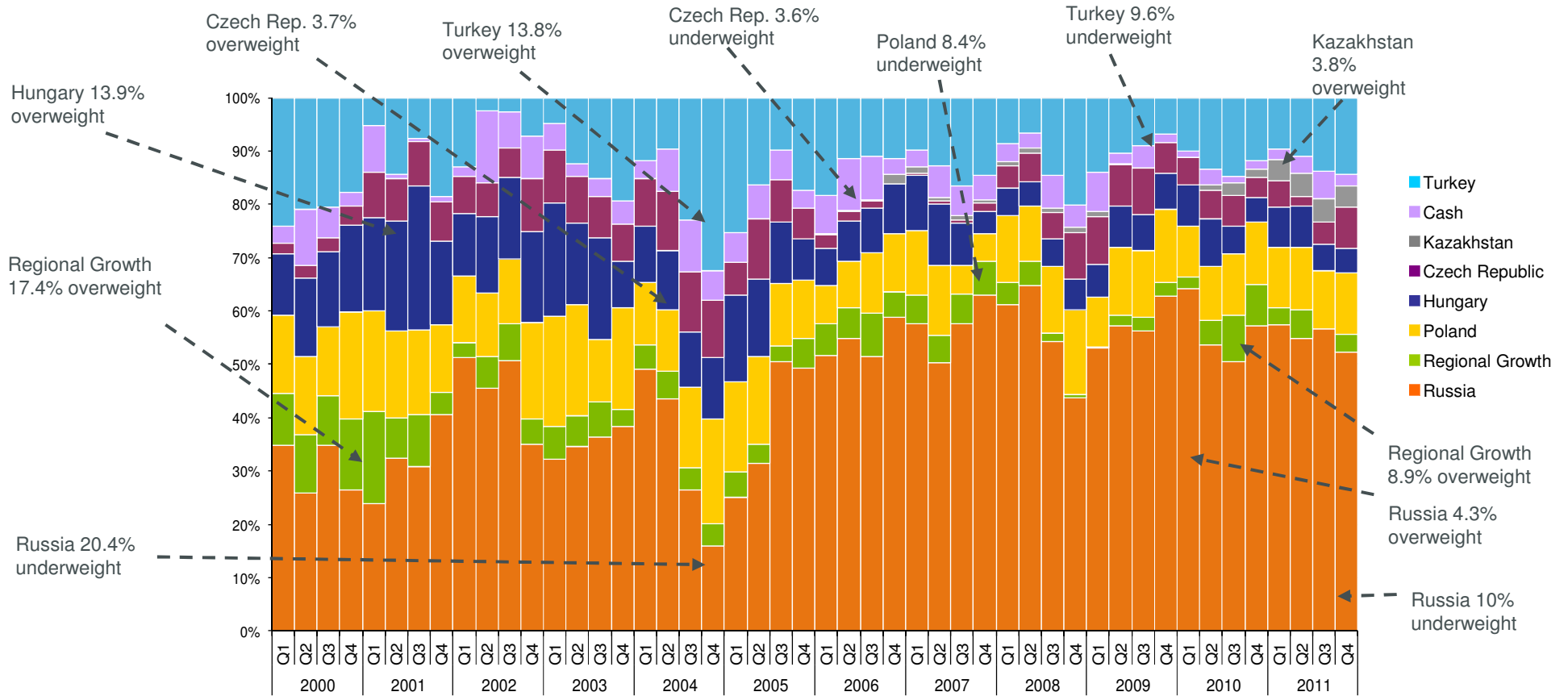
As at 31st December 2011. Estimates in local currency

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Appendix

BGF Emerging Europe Fund: Historic Country Allocations

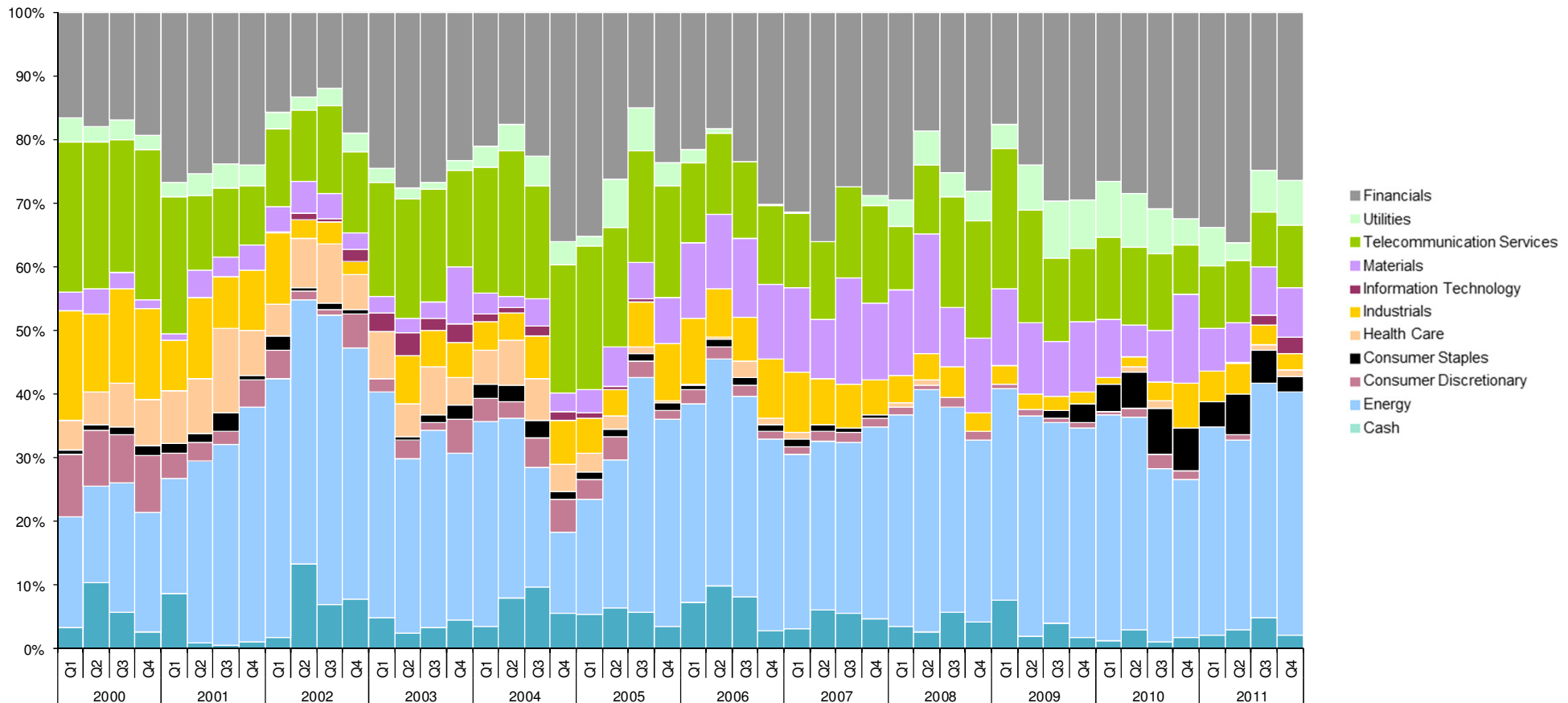
Portfolio Composition (Q1 2000 to Q4 2011)



Source: BlackRock 31st December 2011

BGF Emerging Europe Fund: Historic Sector Allocations

Portfolio Composition (Q1 2000 to Q4 2011)



Source: BlackRock 31st December 2011

BGF Emerging Europe Fund: Liquidity Analysis

Current portfolio: Days to liquidate portfolio (cumulative)¹

< 1 day	1-3 days	3-5 days	5-10 days	10-20 days	20+
38.1%	38.7%	69.3%	83.3%	91.0%	100%

Source: BlackRock, Bloomberg based on current Fund exposure. Portfolio holdings as at 29th February 2012

Risk: IMPACT

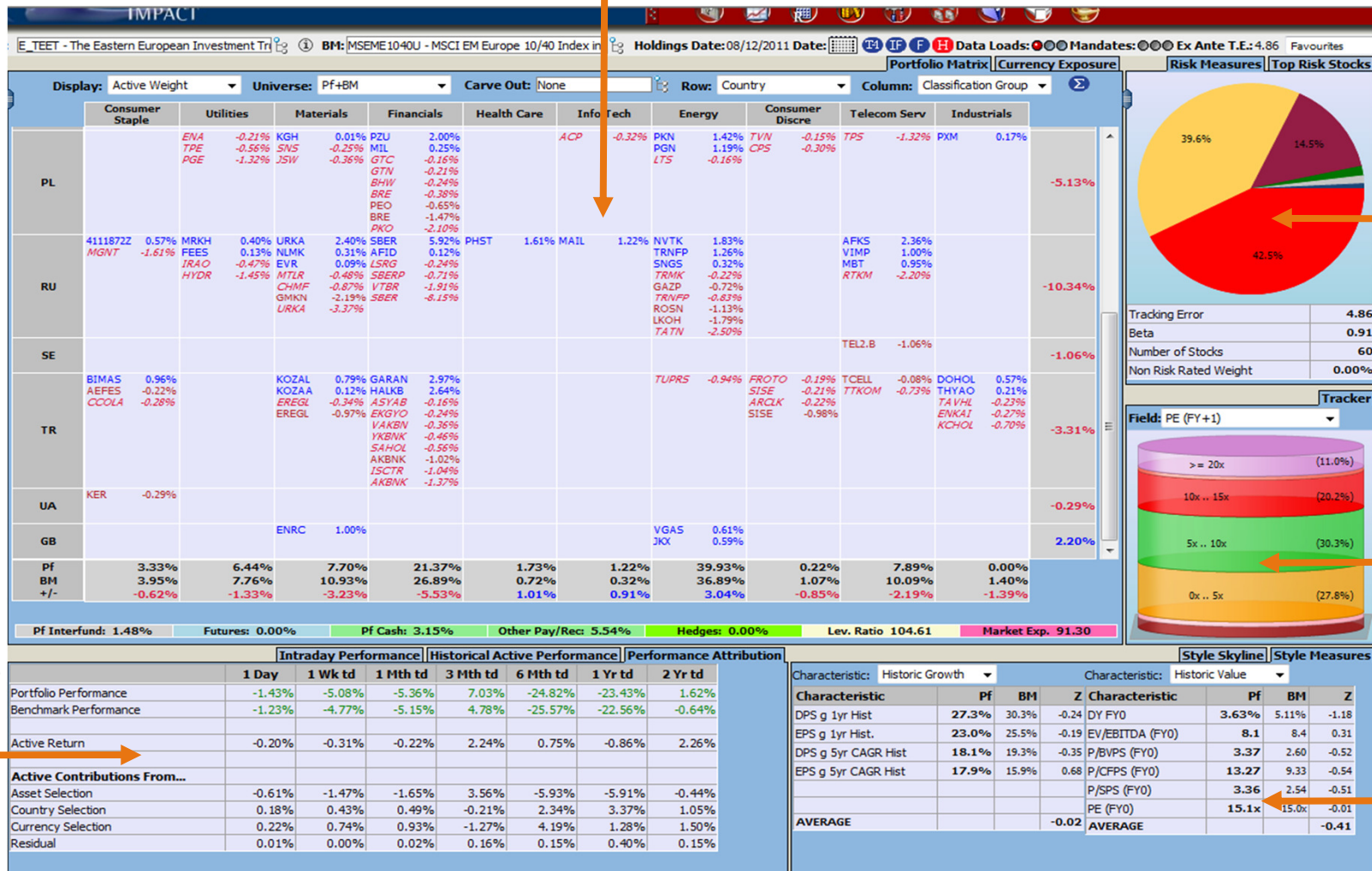
What is our portfolio composition?

What is our risk decomposition?

What is the P/E ratio?

Are we following our investment process style and guidelines?

How are we performing?



Source: BlackRock, 9th December 2011. Weightings as of date shown and do not necessarily represent current or future portfolio holdings.

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