


BlackRock Global Funds - Emerging Europe Fund D2

LU0252967533

Morningstar Analyst Rating
 **Bronze**
 1 Feb 2019
 00:00, UTC-0600

Morningstar Category
 Emerging Europe Equity

Category Index
 MSCI EM Europe NR EUR

Total Assets
 767.69
 Mil EUR

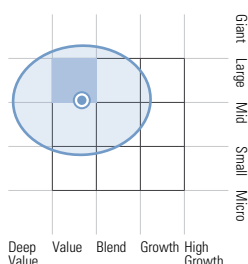
Current Yield %
 —

Inception Date
 19/05/06

Domicile/Currency
 LUX/EUR

Morningstar Rating
 ★★ ★★






Equity Style Map

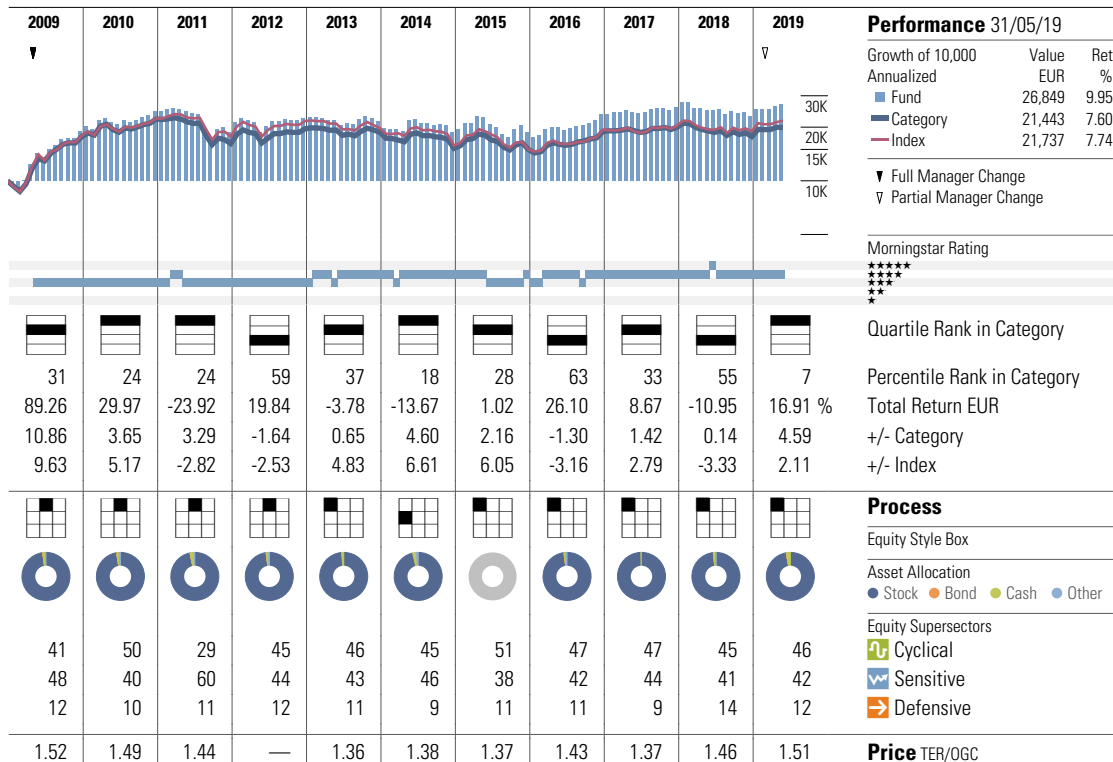


People

Sam Vecht 04/09
 Christopher Colunga 02/19
 Total Named Managers 2

Morningstar Pillars

Process | p. 2-3  Positive
 Performance | p. 4  Positive
 People | p. 5  Positive
 Parent | p. 6  Positive
 Price | p. 7  Negative



Analyst View

Lena Tsymbaluk, Analyst

The fund remains one of our highest-conviction picks in the emerging Europe sector.

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Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

 Gold  Silver  Bronze  Neutral  Negative

The Morningstar Analyst Rating for Funds is a forward-looking analysis of a fund. Morningstar has identified five key areas crucial to predicting the future success of a fund: People, Parent, Process, Performance, and Price. The pillars are used in determining the Morningstar Analyst Rating for a fund. Morningstar Analyst Ratings are assigned on a five-tier scale running from Gold to Negative. The top three ratings, Gold, Silver, and Bronze, all indicate that our analysts think highly of a fund; the difference between them corresponds to differences in the level of analyst conviction in a fund's ability to outperform its benchmark and peers through time, within the context of the level of risk taken over the long term (defined as a full market cycle or at least five years). Neutral represents funds in which our analysts don't have a strong positive or negative conviction over the long term (defined as a full market cycle or at least five years) and Negative represents funds that possess at least one flaw that our analysts believe is likely to significantly hamper future performance over the long term (defined as a full market cycle or at least five years). Past performance of a security may or may not be sustained in future and is no indication of future performance. For detailed information about the Morningstar Analyst Rating for Funds, please visit <http://global.morningstar.com/managerdisclosures>

01 Feb, 2019 | The fund's consistent approach, as well as Sam Vecht's notable experience in the region and ability to tactically move the portfolio, underlies the Morningstar Analyst Rating of Bronze.

Vecht has managed the fund since April 2009 and has 18 years of experience covering EMEA stocks. He is supported by the five-member Emerging Europe & Frontiers team and BlackRock's wider Emerging Markets team.

While Vecht's workload is a concern as he is involved in a number of strategies, we take comfort in the fact that he co-manages most of them with other team members: Emily Fletcher works alongside Vecht on the Frontiers strategy, while Gordon Fraser continues to work with Vecht on long-short BlackRock Emerging Markets Absolute Return fund and BlackRock Emerging Market Equity Strategies fund.

The process blends top-down and bottom-up research. Vecht decides on country allocations, which are then populated with stocks. At the company level, the research focuses on cash flow growth. Over the fund's tenure, alpha has been driven by stock selection, while tactical shifts between the key countries (for example, Russia and Turkey) have also added value.

For example, the fund benefited from the underweight exposure to Russia in 2014, which was negatively affected by geopolitical concerns and sanctions. Equally, Vecht became negative on the political and macro situation in Turkey at the end of 2017/beginning of 2018 and significantly reduced its exposure. This was the right move just before Turkish equities sold off in the summer, driven by a falling currency and increasing current account deficit. Investors should be aware the fund can invest up to 10% in off-benchmark countries.

The effectiveness of the approach is reflected in the fund's performance. Since Vecht took over in April 2009 to 31 Dec 2018, the fund has outperformed the MSCI EM Europe 10/40 Index and peers.

Overall, we have confidence in Vecht and his differentiated approach in this volatile region. We therefore maintain our Morningstar Analyst Rating of Bronze.

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Process: Approach

Morningstar Category
Emerging Europe Equity

Category Index
MSCI EM Europe NR
EUR

Index Proxy
SPDR® MSCI EM
Europe ETF

Vecht blends top-down country allocation with bottom-up stock ideas. He is slightly contrarian.

Process Pillar

Positive

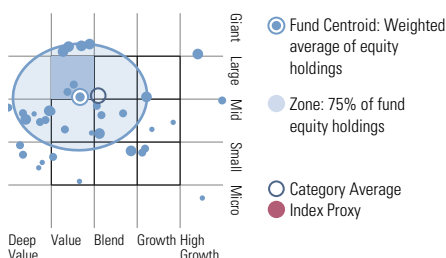
01 Feb, 2019 | The process blends top-down and bottom-up research. With the input from the team's macroeconomists, Vecht decides on the fund's country allocation at weekly meetings where they establish a country's relative attractiveness based on their macro assessment. This is based on three key areas: political assessment,

macroeconomic analysis, and appraisal of the valuation of a country's market. Macro analysis is a more dominant factor when the outlook is negative. Once the general country weights are decided, the team identifies stocks with growth opportunities, with an emphasis on cash flow growth, as it believes this is ultimately the driver of share prices over time. The team seeks to identify companies that can translate top-line revenue growth to free cash flow and invest in these companies when it deems that their cash flow stream is undervalued. Financial models are de-

veloped focusing on company financials, particularly cash flow statements, rather than relying on third-party research. It likes companies that finance their own growth and don't stretch their balance sheets. A stock must also be attractively valued, and the team uses a number of metrics, such as price/book, P/E, and return on equity, to find such companies. The team seeks to avoid market-consensus positioning through a slightly contrarian approach.

Equity Style 30/04/19

Holdings-Based Style Map



Equity Style Box Factors

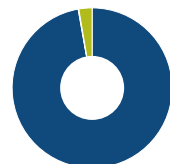
Market Cap	Fund	3-Yr Avg	Category	Proxy
Giant/Large	45.0	51.9	50.1	68.4
Mid	37.3	37.3	34.1	29.0
Small/Micro	17.8	10.8	15.8	2.6
Avg Market Cap Bil EUR	11.1	10.0	11.6	14.2

Value Measures	Fund	3-Yr Avg	Category	Proxy
Price/Prospect. Earnings	6.3	7.8	6.9	8.7
Price/Book	0.7	0.8	0.9	1.0
Price/Sales	0.7	0.8	0.8	0.7
Price/Cash Flow	2.0	3.5	2.8	4.0
Dividend Yield	4.8	5.5	5.8	4.0

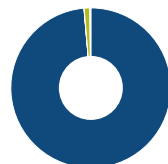
Growth Measures	Fund	3-Yr Avg	Category	Proxy
Long-Term Earnings %	12.7	15.7	12.0	14.5
Historical Earnings %	25.6	-1.0	24.9	9.2
Sales %	-11.5	-33.1	-2.8	-30.2
Cash Flow %	9.8	-8.3	8.5	0.2
Book-Value %	-8.9	-27.6	-3.3	-24.1

Asset Allocation 30/04/19

Current Allocation



3-Year Average



Net Assets %	Fund	3-Yr Avg	Category	Proxy
Equity	97.2	98.6	98.1	99.2
Fixed Income	0.1	0.0	0.1	0.0
Cash	2.7	1.1	1.7	0.4
Other	0.0	0.2	0.1	0.5

Regional Exposure 30/04/19

Market Type Equity %	Fund	3-Yr Avg	Category	Proxy
Developed	17.2	15.9	10.9	4.7
Emerging	82.8	84.1	89.1	95.3

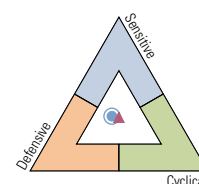
Top 5 Countries Equity %	Fund	3-Yr Avg	Category	Proxy
Russian Federation	50.7	48.7	55.8	50.5
Poland	18.5	13.2	15.4	20.2
Turkey	7.5	12.1	8.2	16.6
Greece	4.9	6.7	3.8	4.7
Hungary	4.9	2.7	5.2	5.3

Key Ratios 30/04/19

	Fund	3-Yr Avg	Category	Proxy
Net Margin %	21.6	16.0	24.3	18.3
ROA %	6.8	5.4	9.0	5.6
Debt/Total Capital %	32.5	30.2	30.4	24.0
ROE %	17.2	14.9	21.9	16.7

Sectors 30/04/19

Sector Delta



Larger sector concentrations versus the index move the investment to the corner of the triangle corresponding to that equity Super Sector.

Equity Sectors	Fund	3-Yr Avg	Category	Proxy
Defensive	12.1	10.6	7.9	9.1
Consumer Defensive	7.2	6.2	5.3	4.9
Healthcare	3.2	3.0	1.6	1.0
Utilities	1.7	1.5	1.0	3.2

Sensitive	Fund	3-Yr Avg	Category	Proxy
Communication Serv.	3.7	6.9	2.9	5.4
Energy	32.1	28.4	35.5	31.5
Industrials	4.6	2.7	2.9	2.2
Technology	1.3	4.9	4.0	0.4

Cyclical	Fund	3-Yr Avg	Category	Proxy
Basic Materials	6.6	6.2	10.5	10.8
Consumer Cyclical	1.9	2.9	4.2	3.5
Financial Services	37.7	37.4	31.4	36.7
Real Estate	0.0	0.0	0.8	0.4

Economic Moat 30/04/19

	Fund	3-Yr Avg	Category	Proxy
Wide Moat	0.0	0.0	21.4	0.0
Narrow Moat	0.0	54.6	18.0	100.0
No Moat	100.0	45.4	60.7	0.0
Coverage Ratio	2.3	3.2	1.3	1.6

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Process: Portfolio

Morningstar Category
Emerging Europe Equity

Category Index
MSCI EM Europe NR
EUR

Index Proxy
SPDR® MSCI EM
Europe ETF

The portfolio tends to be overweight smaller-cap stocks.

Process Pillar

Positive

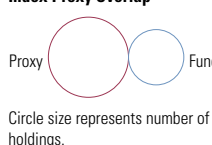
01 Feb, 2019 | The portfolio typically consists of 40 to 50 names, driven by a flexible approach that allows Sam Vecht to adjust the fund's sector and country exposures to reflect the team's top-down and bottom-up views. The portfolio is unconstrained with large sector bets—for example, as of 31 Aug 2018, the financials sector was 12.3%

overweight relative to the MSCI EM Europe 10/40 Index, while energy was 8% underweight. The fund can invest in companies domiciled in or exercising the predominant part of their economic activity in emerging European countries. It can also have a maximum 5% exposure in Israel—part of the Levant region but now classified as a developed market by MSCI. The exposure to off-benchmark countries is typically within 10%. As of 28 Sept 2018, the exposure to off-benchmark countries was 9.2%, including Israel, Austria, Portugal, and Ukraine. This was the highest Vecht

has had in this portfolio and reflected the lack of attractive opportunities in the region, which had the combination of strong cash flow growth and cheap valuations. For example, Vecht held Bezeq Israeli Telecommunication on the expectation of new management and ownership with a potential improvement in its corporate strategy and corporate governance. Turnover tends to be around 100%, and the team tends to invest on a rolling 12-month time horizon.

Similarity to Index Proxy 28/02/19

Index Proxy Overlap



Number of Equity Holdings

Fund	40
Index Proxy	84
Fund Overlap With Index Proxy	
Holdings Overlap	—
Asset Overlap	—

Largest Common Holdings

Fund % Proxy %

Largest Distinct Holdings

Fund %

Portfolio Holdings 28/02/19

Previous Portfolio Date	Equity Holdings	Bond Holdings	Other Holdings	Assets in Top 10 Holdings	Turnover Ratio (Reported)
31/01/19	40	0	19	50%	—

Top 10 Equity Holdings	Country	Assets % 28/02/19	Assets % 31/01/19	Proxy % 28/02/19	First Bought	Days Trading	Economic Moat	Sector	1-Yr Total Ret %
Gazprom PJSC ADR	RUS	9.68	9.77	—	07/10	1		Energy	57.34
Sberbank of Russia PJSC ADR	RUS	7.08	7.38	—	09/11	1		Financial Services	10.84
PJSC Lukoil ADR	RUS	5.57	5.27	—	03/14	<1		Energy	31.92
Rosneft Oil Co GDR	RUS	5.11	5.23	—	03/17	3		Energy	20.05
PKO Bank Polski SA	POL	4.19	4.34	—	11/12	1		Financial Services	7.09
⊕ NOVATEK PJSC GDR	RUS	4.16	3.08	—	12/14	1		Energy	51.91
Magnit PJSC	RUS	3.95	4.28	—	09/18	3		Consumer Defensive	-21.34
Bank Polska Kasa Opieki SA	POL	3.86	3.76	—	06/17	1		Financial Services	3.00
Alior Bank SA	POL	3.30	3.22	—	02/18	8		Financial Services	-23.08
Chemical Works of Gedeon Richter PLC	HUN	3.05	3.29	—	10/17	5		Healthcare	-2.56

Change since previous portfolio: ⊕ Increase ⊖ Decrease ✱ New

New Holdings Largest Purchases	% Assets	Sector	Eliminated Holdings Largest Sales	% Assets	Sector	Largest Position Changes	Current %	Prior %
KAZ Minerals PLC	0.70	Energy	Migros Turk TAS	0.43	Consumer Defensive	⊕ NOVATEK PJSC GDR	4.16	3.08
Aselsan Elektronik Sanayi Ve Ticaret AS	0.26	Technology	BlackRock ICS Euro Asts Liq Agcy Inc	0.27	Technology	⊖ Yandex NV	2.52	3.48
			Ferrexpo PLC	0.23	Energy	⊕ TAV Havalimanlari Holding AS	1.34	0.06
						✱ KAZ Minerals PLC	0.70	0.00
						⊖ Tupras-Turkiye Petrol Rafinerleri AS	0.21	2.35

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Performance

Morningstar Category
Emerging Europe Equity

Category Index
MSCI EM Europe NR
EUR

Over Vecht's tenure, the fund has been ahead of its index and peers.

Performance Pillar + Positive

01 Feb, 2019 | Since Sam Vecht took over in April 2009 to the end of December 2018, the fund outperformed the MSCI EM Europe 10/40 Index and the emerging Europe equity Morningstar Category average by 1.0 and 2.3 percentage points per year, respectively. Outperformance in 2013 came from strong stock selection within techno-

logy, particularly off-benchmark Russian Internet names such as Yandex and Mail.ru. In 2014, excellent relative performance was due to overweight exposure to Turkey and underweight exposure to Russia. In 2015, the fund was ahead of its index and peers mainly because of strong stock selection in Russia. In 2016, the fund was behind both the index and peers mainly because of the underweight in Russia, which was the best-performing market in emerging Europe given improving economic health and the tailwind of the commodities rally. In 2017, the fund was ahead of

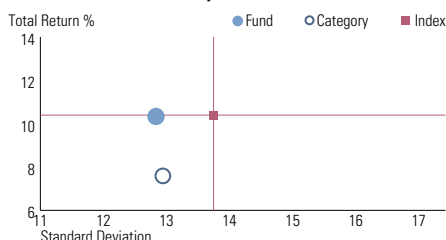
both the index and peers; attribution against the peer group shows strong stock selection within industrials and communication services. In 2018, the fund was behind the index but in line with peers. Positive contributions came from the underweight to Turkey and the off-benchmark exposure to Israel. On the other hand, stock picks in Russia and Greece detracted, namely National Bank of Greece, Sberbank, Lenta, and Magnit.

Morningstar Rating and Risk 31/05/19

Period	Morningstar Ret vs Cat	Morningstar Risk vs Cat	Morningstar Rating
3 Years	Above Avg	Avg	★★★★
5 Years	Above Avg	Avg	★★★★
10 Years	Above Avg	Above Avg	★★★★
Overall Rating			★★★★

Risk Analysis 31/05/19

3-Year Return and Risk Analysis



3-Year Risk Measures

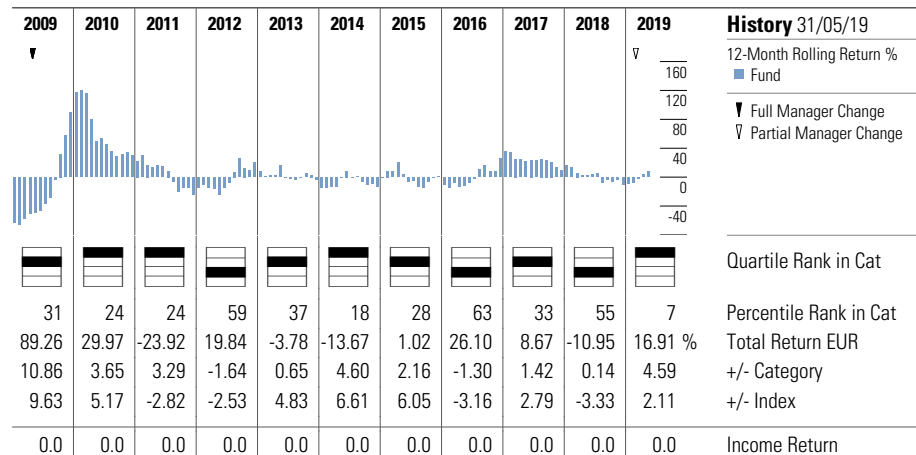
	Fund	Category	Index
Standard Deviation	12.83	12.94	13.75
Sharpe Ratio	0.86	0.65	0.82
R-Squared	88.97	77.05	—
Beta	0.88	0.82	—
Alpha	1.17	-0.68	—

Maximum Drawdown

	Fund	Category	Index
Max Drawdown (%)	-31.25	-36.56	-38.35
Peak Date	04/11	04/11	04/11
Valley Date	01/16	01/16	01/16
Max Drawdown (Months)	58	58	58

Upside/Downside

	Fund	Category	Index
Upside Capture Ratio	92.9	79.6	—
Downside Capture Ratio	88.3	85.0	—



Returns 31/05/19

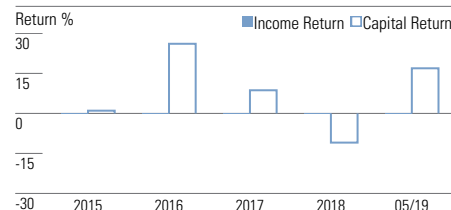
Trailing Returns

	Total Ret %	Investor Ret %	Rank in Cat	Cat Ret %	Index Ret %
1 Year	7.56	6.73	41	4.74	11.86
3 Years	10.33	11.08	23	7.59	10.39
5 Years	4.17	3.31	16	1.85	2.05
10 Years	6.52	1.58	12	4.23	4.46
Tenure 04/09	10.06	—	—	8.09	8.18
Inception 05/06	1.70	—	—	0.99	-0.29

Rolling-Returns Summary

52%	36-Month Rolling Periods
48	121 Observations, 10 Years
0	The shading and percentages correspond to how often the fund returns landed in each category quartile.
0	

Income and Capital Returns



Year	Income Ret %	Income % Rank in Cat	Capital Ret %	Capital % Rank in Cat
2015	0.00	55	1.02	25
2016	0.00	37	26.10	62
2017	0.00	33	8.67	27
2018	0.00	38	-10.95	49
05/19	0.00	42	16.91	6

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People

Morningstar Category
Emerging Europe Equity

Category Index
MSCI EM Europe NR
EUR

The fund is managed by experienced Sam Vecht and an EMEA team of five investors.

People Pillar

Positive

01 Feb, 2019 | Lead manager Sam Vecht assumed responsibility and was appointed head of the emerging Europe desk in April 2009. He has notable experience in the region: He joined MLIM (now BlackRock) in 2000 and has worked on the emerging-markets desk for the past 18 years, specializing in EMEA stocks. Vecht manages the

BlackRock Frontiers Investment Trust, BlackRock Emerging Frontiers fund, BSF Emerging Markets Absolute Return hedge fund, and BlackRock Emerging Market Equity Strategies fund.

He is assisted by the Emerging Europe and Frontiers subteam as well as the wider Emerging Markets team. The Emerging Europe and Frontiers subteam includes five members: Chris Colunga, Emily Fletcher, Denis Kalugin, Sudaif Niaz, and Christoph Brinkmann, who joined in summer 2017. In 2017, Gordon Fraser, the macroeconomist of the team and hedge fund coman-

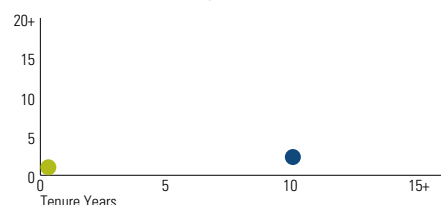
ager with Vecht, relocated to Hong Kong to take over the Emerging Markets Core strategy as the lead portfolio manager, while Denis Kalugin took more responsibility for the macro side.

While Vecht's workload is a concern, we take some comfort in the fact that he comanages his other strategies with team members: Fletcher works alongside Vecht on the Frontiers strategy, while Gordon Fraser continues to work with Vecht on long-short BlackRock Emerging Markets Absolute Return fund and BlackRock Emerging Market Equity Strategies fund.

Management Team

Experience and Asset Load

Total AUM Bil EUR in Funds Managed



Number of Managers

2

Longest Tenure

10.17 Years

Manager Retention Rate

5-Year
—%

Average Manager Tenure

5.25 Years

Advisor

BlackRock Investment Management (UK) Ltd.

Subadvisor

—

Sam Vecht 04/09 to Present

Years on Managed Funds	Years on Fund
14	10
Fund AUM	Current Funds Managed
2,320.15 Mil EUR	14

Largest Funds Managed	Tenure Dates	Role	Fund Size Mil EUR	Investment Mil EUR	Tenure Ret %	Index Ret %
BGF Emerging Europe Fund	04/09 to Present	1 of 2	767.69	—	9.23	8.18
BSF Emerging Markets Equity Strats Fd	09/15 to Present	1 of 2	553.68	—	18.86	7.54
BlackRock Frontiers	12/10 to Present	1 of 2	355.87	—	7.05	2.98
BlackRock Greater Europe	09/04 to Present	1 of 2	349.02	—	11.20	6.00
BlackRock Latin American Invest Trust	12/18 to Present	1 of 2	236.34	—	10.04	8.30

Christopher Colunga 02/19 to Present

Years on Managed Funds	Years on Fund
3	0
Fund AUM	Current Funds Managed
767.69 Mil EUR	2

Largest Funds Managed	Tenure Dates	Role	Fund Size Mil EUR	Investment Mil EUR	Tenure Ret %	Index Ret %
BGF Emerging Europe Fund	02/19 to Present	1 of 2	767.69	—	6.35	3.19
BlackRock Emerging Europe plc	03/16 to Present	1 of 2	0.00	—	—	10.27

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Parent

Morningstar Category
Emerging Europe Equity

Category Index
MSCI EM Europe NR
EUR

Acting in enlightened self-interest.

Parent Pillar

Positive

01 Nov, 2018 | BlackRock's successful balancing act retains a positive Parent rating.

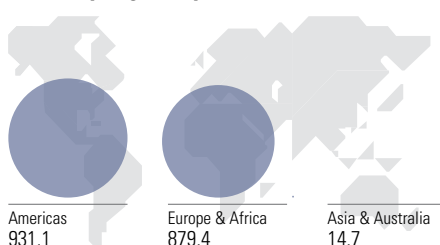
The \$6.3 trillion colossus' institutional and retail clients span the globe, and its publicly traded shares have beaten virtually all industry peers and most fellow S&P 500 denizens since the company's 1999 IPO. Both its clients and pub-

lic shareholders have high expectations, but BlackRock has shown it understands it must be a capable fiduciary to keep delivering enviable long-term stock returns. Its investment fees continue to fall and managers invest more in their strategies. The firm invests heavily in technology and people and makes versions of its institutional risk and portfolio analysis tools available to advisors. Its iShares unit's efforts to defend its leading exchange-traded fund market position has helped drive asset-management costs down. The firm has expanded into alternatives and private equity.

Biggest is not always best, though. BlackRock has turned around its fixed-income platform since the global financial crisis, but its active equity lineup has sputtered and been through two major restructurings in six years. Its manager retention and tenure rates for U.S. mutual funds are lower than most other top 20 fund families. While it has shown more fund launch discipline, it has its share of niche vehicles, such as the iShares Robotics and Artificial Intelligence ETF.

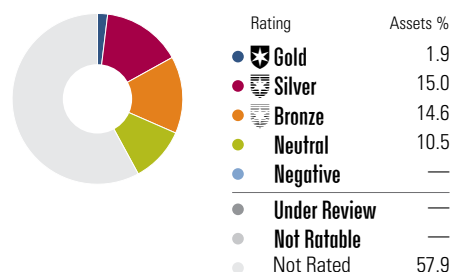
Still, BlackRock has used its size and operational savvy to clients' benefit.

Assets By Region, By Domicile Bil EUR

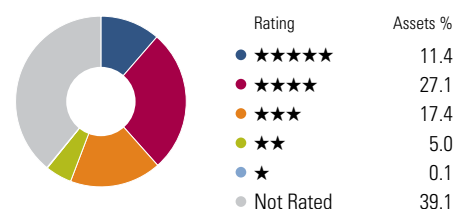


Fund Family Details Europe (*)

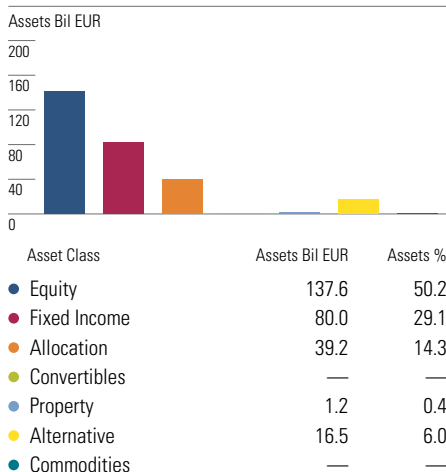
Morningstar Analyst Rating Breakdown



Morningstar Rating Breakdown



Asset Class Breakdown Europe (ex Money Mkt)



Fund Family Details Europe

Top Performing Funds	Category Name	Fund Size Mil EUR	Return % 3-Year	Rank in Cat 3-Year
BlackRock Global Funds - World Technology Fund A2 EUR	Sector Equity Technology	1,480.2	26.51	1
BlackRock Strategic Funds - Emerging Markets Equity Strategies Fund Z2 USD	Global Emerging Markets Equity	503.0	18.37	1
iShares Edge EM Fundamental Weighted Index Fund (IE) Flexible A Acc GBP	Global Emerging Markets Equity	402.1	14.59	1

Largest Funds	Category Name	Fund Size Mil EUR	Return % 3-Year	Rank in Cat 3-Year
BlackRock Global Funds - Global Allocation Fund A2	USD Moderate Allocation	13,455.2	3.92	64
iShares Developed World Index Fund (IE) Flexible Acc USD	Global Large-Cap Blend Equity	12,573.8	9.15	14
BlackRock Global Funds - Euro Short Duration Bond Fund A2 EUR	EUR Diversified Bond - Short Term	11,384.9	-0.17	50

Recent Fund Launches	Category Name	Fund Size Mil EUR	Return % Inception	Inception Date
iShares ESG Screened Euro Corporate Bond Index Fund Q Acc EUR	EUR Corporate Bond	—	-0.16	08/05/19
Blackrock Common Contractual Funds - CCF Developed World (ESG Screened) Index Fund X1 EUR Hedged Acc	Other Equity	—	-3.88	26/04/19
BlackRock Funds I ICAV - BlackRock Global High Yield ESG and Credit Screened Fund D USD Acc	Global High Yield Bond	100.2	0.19	11/04/19

(*) All data is based on Branding name and refers to funds domiciled in Europe.

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MORNINGSTAR

BlackRock Global Funds - Emerging Europe Fund D2

LU0252967533

Morningstar Analyst Rating

Bronze

1 Feb 2019
00:00, UTC-0600

Price

Morningstar Category
Emerging Europe Equity

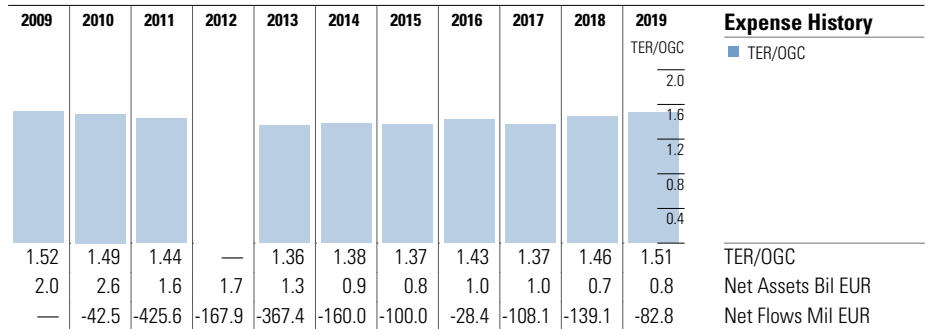
Category Index
MSCI EM Europe NR
EUR

The fund's ongoing charge for the clean share class is more expensive than the median.

Price Pillar

— Negative

01 Feb, 2019 | The fund's ongoing charge for the clean share class D2 EUR available to retail investors is 1.46%, which is in the second most expensive quintile within a group of similar clean share classes. We therefore consider the fund expensively priced.



Expense Breakdown

Ongoing charge

Ongoing charge 25/02/19 1.51

Selected Components

Max Management Fee 1.00
Performance Fee —

Fee Level

Fee Level

— Peer Group

Fee Level Breakpoints

High >0.00
Above Average 0.00-0.00
Average 0.00-0.00
Below Average 0.00-0.00
Low <0.00

◀ Fund 1.51
◀ Peer Median —

Share Class Information

Share Class	Identifier	Morningstar Category	TER/OGC	Max Mgmt Fee	Performance Fee	Maximum Initial Charge	Minimum Initial Inv	Assets Bil EUR
BGF Emerging Europe D2	LU0252967533	Emerging Europe Equity	1.51	1.00	—	5.00	—	0.06
BGF Emerging Europe UL	—	Emerging Europe Equity	—	1.75	—	—	—	—
BGF Emerging Europe A2	LU0011850392	Emerging Europe Equity	2.25	1.75	—	5.00	—	0.68
BGF Emerging Europe E2	LU0090830497	Emerging Europe Equity	2.75	1.75	—	3.00	—	0.03
BGF Emerging Europe A4 EUR	LU0408221355	Emerging Europe Equity	2.26	1.75	—	5.00	—	0.01
BGF Emerging Europe C2	LU0147383045	Emerging Europe Equity	3.50	1.75	—	0.00	—	0.01

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Morningstar Analyst Rating

	2017	2018	2019
 Gold			
 Silver			
 Bronze			
 Neutral			
 Negative			
 Under Review			
 Not Rated			

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The date shown next to the Morningstar Analyst Rating is the date on which Morningstar Manager Research Analyst assigned or reaffirmed the current rating for the fund based on the analyst's latest review and research report for the fund.

The Five (5) Pillars

Morningstar has identified five key areas that we believe are crucial to predicting the future success of funds: People, Parent, Process, Performance, and Price. Each pillar is evaluated when assessing a fund as well as the interaction between the pillars, which we believe is crucial to understanding a fund's overall merit.

People

The overall quality of a fund's investment team is a significant key to its ability to deliver superior performance relative to its benchmark and/or peers. Evaluating a fund's investment team requires that analysts assess several relevant items including how key decisions are made.

Parent

We believe the parent organization is of utmost importance in evaluating funds. The fund's management set the tone for key elements of our evaluation, including capacity management, risk management, recruitment and retention of talent, and incentive pay. Beyond these operational areas, we prefer firms that have a culture of stewardship and put investors first to those that are too heavily weighted to salesmanship.

Process

We look for funds with a performance objective and investment process (for both security selection and portfolio construction) that is sensible, clearly defined, and repeatable. In addition, the portfolio should be constructed in a manner that is consistent with the investment process and performance objective.

Performance

We do not believe past performance is necessarily predictive of future results, and this factor accordingly receives a relatively small weighting in our evaluation process. In particular, we strive not to anchor on short-term performance. However, we do believe that the evaluation of long-term return and risk patterns is vital to determining if a fund is delivering to our expectations.

Price

To reflect actual investor experience, price is evaluated within the context of the relevant market or cross-border region—for example, the United States, Australia, Canada, or Europe. In recognition of differences in scale and distribution costs in various markets, the level at which a fund is penalised for high fees or rewarded for low fees can vary with region. In Europe, for example, funds are penalised if they land in the most expensive quintile of their Morningstar category and are rewarded if they land in the cheapest quintile. The assessment is made using annual expense ratios, but in the case of funds with performance fees, expenses are evaluated excluding any performance fees and then the structure of the performance fee is evaluated separately.

Morningstar Analyst Ratings

Morningstar Analyst Ratings are assigned on a five-tier scale running from Gold to Negative. The top three ratings, Gold, Silver, and Bronze, all indicate that our analysts think highly of a fund; the difference between them corresponds to differences in the level of analyst conviction in a fund's ability to outperform its benchmark and peers through time, within the context of the level of risk taken.

Gold

Represents funds that our analyst has the highest-conviction in for that given investment mandate. By giving a fund a Gold rating, we are expressing an expectation that it will outperform its relevant performance benchmark and/or peer group within the context of the level of risk taken over the long term (defined as a full market cycle or at least five years). To earn a Gold rating, a fund must distinguish itself across the five pillars that are the basis for our analysis.

Silver

Represents funds our analyst has high-conviction in, but not in all of the five pillars. With those fundamental strengths, we expect these funds will outperform their relevant performance benchmark and/or peer group within the context of the level of risk taken over the long term (defined as a full market cycle or at least five years).

Bronze

Represents funds that have advantages that clearly outweigh any disadvantages across the pillars, giving analyst the conviction to award them a positive rating. We expect these funds to beat their relevant performance benchmark and/or peer group within the context of the level of risk taken over a full market cycle (or at least five years).

Neutral

Represents funds in which our analysts don't have a strong positive or negative conviction. In our judgment, these funds are not likely to deliver standout returns, but they aren't likely to seriously underperform their relevant performance benchmark and/or peer group either.

Negative

Represents funds that possess at least one flaw that our analysts believe is likely to significantly hamper future performance, such as high fees or an unstable management team. Because of these faults, we believe these funds are inferior to most competitors and will likely underperform their relevant performance benchmark and/or peer group, within the context of the level of risk taken, over a full market cycle.

Morningstar may also use two other designations in place of a rating:

Under Review

This designation means that a change that occurred with the fund or at the fund company requires further review to determine the impact on the rating.

Not Ratable

This designation is used only where we are providing a report on a new strategy or on a strategy where there are no relevant comparators, but where investors require information as to suitability.

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Equity-Related Data Points

The Report lists the fund's top ten holdings as of the dated noted. For each underlying holding, a series of data points is provided including, where applicable, that security's Economic Moat as of the date noted.

Economic Moat

The concept of an economic moat plays a vital role in our equity analyst's qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of its fair value estimate. An economic moat is a structural feature that allows a firm to sustain excess profits over a long period of time. We define economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a *narrow moat* are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. *Wide-moat* companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality, *no-moat* companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

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