BlackRock Global Unconstrained Equity Fund (UK)

Fund Research Centre
Recommended

Why we recommend the fund

- This Recommended fund is managed by Alister Hibbert and Michael Constantis, who have distinguished themselves as strong stock-pickers.
- They are extremely experienced managers and have managed both long only and long/short equity funds across a variety of economic cycles.
- They have established a well-structured and clear process that seeks to benefit from the long-term compounding of free cash flows. The process employed has been honed over their careers at BlackRock, which precedes the launch of this fund.
- Messrs Hibbert and Constantis have created a compact team, with three experienced analysts working alongside them. They have full access to BlackRock's considerable resources and the ample other resources available in house.

Key characteristics and expected outcome

- The focus is on larger-cap, quality growth companies that have resilient earnings. Sectors such as energy and materials, as well as regulated industries such as utilities, are typically under-represented.
- Furthermore, the fund is highly concentrated, and the managers are benchmark agnostic. Therefore, the fund's risk and return profile may differ meaningfully from the index and peers.
- The managers' focus upon the sustainability of a company's return and the scale of its reinvestment opportunity, combined with their awareness of cash flow sources and not overcommitting to companies in similar revenue systems, should mitigate some of the volatility associated with growth-styled strategies.
- The fund is suited to investors seeking a high conviction, concentrated approach to investing in best-in-class, sustainable growth businesses. Investors must have a long-term investment horizon and a tolerance for short-term volatility and bouts of under and outperformance compared to peers and global equity indices.

Risk commentary

The fund's KIID Synthetic Risk and Reward Indicator (SRRI) is 6. This is a regulatory measurement that is, where possible, calculated from the volatility of its weekly performance over a five-year period. A score of 6 means the fund's historic volatility is between 15% and 25%.

The fund's five-year standard deviation is higher than that of global equity benchmarks. Given the fund's investment approach and the team's long-range investment horizons, the relative risk outcome is likely to vary through time according to the underlying market dynamics. Absolute risk is mitigated by the team's focus on companies with long-term sustainable earnings power, together with an awareness of the different types of economic risk. Different share classes could have different SRRI scores.



Key Fund Facts

Inception Date:	21 January 2020
Manager(s) Since:	Alister Hibbert (Jan 20) Michael Constantis (Jan 20)
Fund Domicile:	United Kingdom
Base Currency:	£ Sterling
Fund Benchmark:	MSCI World
IA Sector:	Global

Formal documentation, including the fund prospectus and the KIID, should be sought directly from the asset manager. A link to the asset manager's website can be found on the relevant fund page at fundresearchcentre.co.uk.

Fund Snapshot

A high conviction, developed markets equity fund that is invested in companies considered to have sustainable long-term earnings power. The managers take a long-term approach and hence, turnover is low. Within its sector, the fund features in our 'Larger-Cap, Growth' category.

Investment Team

The fund is managed by the Strategic Equity Team and consists of five investment professionals, all of whom are based in London. Alister Hibbert and Michael Constantis are the co-managers, working closely with three dedicated research analysts. They have been working together since 2008. Mr Hibbert is Head of the Strategic Equity Team and serves on BlackRock's Global Operating Committee. Mr Constantis joined BlackRock in 2005 and also manages a pan-European strategy which uses the same investment approach.

Investment Philosophy

The team's philosophy is built around the belief that the market has become increasingly focused on short-term outcomes. They believe that over long-term horizons, equity returns can be explained largely by the sustainability of a company's returns and the scale of its reinvestment opportunity. This provides an opportunity for the long-term investor who is willing to ride out short-term noise and back exceptional businesses into the future.

Investment Process

In an environment of low economic growth and technological disruption, the team believes the market is increasingly divided between 'winners' and 'losers'. Against this backdrop, they believe an index-orientated approach may not represent the optimal opportunity set for long-term investors and the team deliberately avoids any benchmark constraints.

Fundamental research is centred around the sustainability of company's returns and the scale of its reinvestment opportunity. The team focuses on how a company's growth might look into the future, not just the next quarter. There are four characteristics that help them identify companies positioned to compound long-term earnings in a sustainable manner: established market position; structural tailwinds; high returns and compounding real terms earnings over time and exceptional management teams. Central to the investment case is the qualitative assessment undertaken by the team. They seek to build a deep fundamental understanding of their investments via three key lenses of analysis: management meetings, which provide strategic and operational insights into businesses; microeconomic cyclicality, which assesses the outlook for key spending streams that back businesses; and, structural change insights, which allow the team to identify seismic shifts and disruptive forces impacting industry returns.

Portfolio Construction and Risk Controls

The fund is benchmark agnostic and highly concentrated, featuring 20-30 stocks. It is focused on developed market stocks. The team uses a proprietary, real-world risk approach to ensure the economic risk (earnings and cash flow risk) of the fund does not become too skewed or concentrated. They break down the fund into five types of economic risk: defensive names (cash flows are not expected to fall significantly in a downturn); consumer cyclicals (derive cash flows from discretionary consumer spending); industrial cyclicals (cash flows linked to the industrial cycle and discretionary corporate expenditure); financials (companies whose cash flows are linked to equity market levels, interest rates and credit cycle); and energy (cash flows linked to oil, coal, or natural gas prices. At least 50% of the fund is invested in defensive names.

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