

Mark Elliott, Head of Strategic Alliances at BlackRock, gives details of BlackRock's latest offerings on Skandia's Life and Pensions fund ranges.



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yield, safety and liquidity

– the BlackRock Cash Fund

With the preservation of capital at the forefront of current thinking, the timely addition of the BlackRock Cash Fund could provide welcome respite to weary investors.

Responding ably to its main objectives of safety, liquidity and yield, the Fund aims to achieve a competitive rate of interest while maintaining security and liquidity for investors, via a portfolio of cash, deposits and other money market instruments.

yield

The Fund has remained immune to the recent high-profile setbacks suffered by some competitor funds within the IMA Money Markets sector, supporting first-quartile performance over three, six and 12 months to the end of 2008.

safety

While many investors have traditionally opted for bank deposits to manage their short-term investments, a deposit does not offer nearly the same level of capital security for an investor as a vehicle such as the BlackRock Cash Fund. This is due, among other things, to the concentration and credit risks inherent with bank deposits.

The environment for cash fund strategies has been exceptionally difficult with defaults from names including Lehman Brothers, Bradford & Bingley, Washington Mutual, Wachovia,

Morgan Stanley, and Goldman Sachs. However, performance of the BlackRock Cash Fund has been supported by the fact that the Fund has never suffered any default. In fact, a stringent credit and risk analysis process has ensured that over the past ten years the BlackRock Credit Team has anticipated ratings downgrades, and withdrawn securities from its 'Approved List' an average of six months in advance of rating agencies' downgrades.

liquidity

The well-publicised events of 2008, and ongoing, suggest that while rating agencies offer useful comparisons, they should not be solely relied upon. Risk management is at the heart of BlackRock's investment management process and this is particularly important when it comes to the instruments we buy. Our specialist risk management team has developed some of the most sophisticated technology in the marketplace to ensure our portfolio managers can perform their duties amid all kinds of market conditions. ●●



adding a european dynamic

The BlackRock European Dynamic Fund and the BlackRock Continental European Fund have also put together a praiseworthy track record over the previous 12 months, delivering first quartile performance in the IMA Europe ex-UK sector for the year and over longer time frames.

Managed by the BlackRock European Equity Style Diversified Team, the hire of an additional six investment professionals in January 2008 (including Alister Hibbert and Vincent Devlin, the individually Citywire-rated managers of the two funds under focus) has further strengthened BlackRock's European offering. The significant investment expertise and research capacity on offer ensures in-depth market coverage, greater idea generation and, ultimately, more opportunities for the portfolios.

The response from clients and external rating agencies has been positive, as illustrated by Standard & Poor's (S&P) award of 'A' ratings to eight of the team's existing funds.

the investment outlook for europe

2009 is clearly going to be another challenging year for European equity markets as substantial and co-ordinated monetary and fiscal easing contend with significant recessionary headwinds. Europe may now be on the brink of its deepest recession for more than 30 years.

However, in our view Europe's companies may prove better positioned to withstand tougher economic conditions than some of their counterparts around the world. In recent years, European companies have embarked upon significant restructuring in the form of disposals of non-core assets, the relocation of manufacturing bases and a focus on higher-value products. The result has

been a structural improvement in profitability levels, which is reflected in the improvement in European companies' return on equity (RoE) levels and also in their profit margins. Some European companies' RoE levels have almost doubled since 2002, while regional profit margins are now broadly comparable with those of US companies.

Moreover, excluding its banks (which are clearly struggling with massive debt burdens), European corporates tend to be less highly leveraged than, for example, their counterparts in the US. Many European companies have cut back their borrowing levels in recent years, resulting in high cash levels, increased dividend payouts and share buybacks. Given this trend, many European companies now look in relatively good shape to weather the current credit contraction.

We expect the first quarter of 2009 to remain bleak in terms of macroeconomic and corporate newsflow. But as we move into the second half of the year, we think that monetary and fiscal policy initiatives will start feeding through in the form of modest economic growth. We believe Europe's increasingly attractive valuations, coupled with cash on the sidelines and further monetary and fiscal support, provide a positive starting point for equities in 2009. ●

refining talent

Talented investors tend to have some common characteristics: the ability to be objective; an aversion to dogmatic views; a mindset that enables them to both recognise and adapt to changing markets; and an awareness of the risks that they are taking. BlackRock is dedicated to developing these attributes, and embedding them within our investment professionals, to ensure that we maximise our ability to succeed and generate added value. This dedication to nurture and refine talents is augmented by a risk-management infrastructure that ensures risks taken in each portfolio are deliberate, appropriately diversified for each mandate, and scaled according to needs.

At BlackRock, we recognise that today - more than ever before - the increasing rate of change creates a distinct advantage for those who can spot opportunity early and react to it quickly.

Six funds from BlackRock were recently added to Skandia's Life and Pensions fund ranges including:

- BlackRock Cash
- BlackRock Continental European
- BlackRock Emerging Markets
- BlackRock European Dynamic
- BlackRock Global Bond
- BlackRock US Dynamic

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Skandia fund platform gives you access to MultiISA and MultiFUND provided by Skandia MultiFUNDS Limited and to products provided by Skandia Life Assurance Company Limited.

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