EDISON

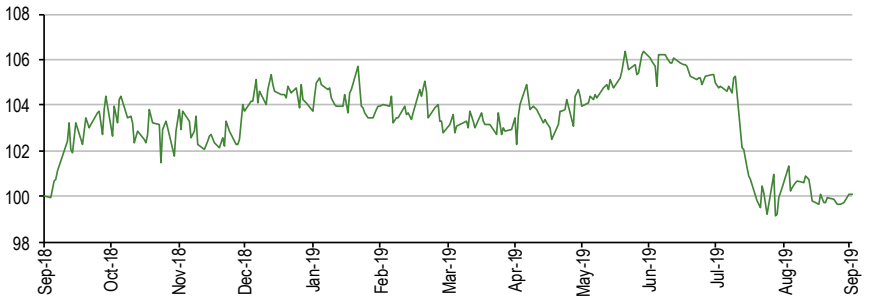
BlackRock Latin American IT

Seeking high quality, growth businesses

Investment trusts
Latin American equities

BlackRock Latin American Investment Trust (BRLA) is managed by Ed Kuczma and Sam Vecht. The managers are constructive on the outlook for Latin American equities, believing the favourable interest rate environment is supportive for consumption growth. They seek high-quality businesses that are able to grow earnings and cash flows over the economic cycle. The managers have reduced the trust's cyclical exposure, focusing more on companies with internal growth drivers and attractive dividend yields. Following the adoption of a new, higher dividend policy in FY18, BRLA currently offers a c 6% dividend yield.

Recent NAV performance relative to the benchmark was affected by Argentinian exposure



Source: Refinitiv, Edison Investment Research

The market opportunity

Latin American equities look more attractively valued versus the world market compared to their 10-year average. While 2019 economic growth estimates for the region have been revised lower, partly due to the US-China trade dispute, there is potential for higher growth in coming quarters. Brazil is the dominant economy in Latin America and its interest rates are at record lows, which should be very supportive of future consumption growth.

Why consider investing in BRLA?

- Highly experienced co-managers, who are able to draw on the broad resources of BlackRock's investment teams.
- Relatively concentrated portfolio of Latin American equities, diversified by geography and sector (45 stocks, down from c 55 a year ago).
- Regular quarterly dividends equivalent to 1.25% of $ NAV at the end of each calendar quarter; attractive c 6% dividend yield.

Discount narrower under new managers

BRLA is currently trading at a 12.5% share price discount to cum-income NAV. This is modestly narrower than the 13.1%, 13.5% and 12.9% average discounts over the last one, three and five years respectively. BRLA has a formulaic dividend policy based on the value of its quarter-end NAV, and currently yields 5.9%.

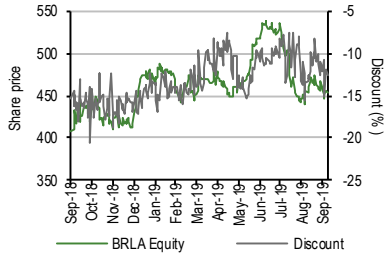
9 October 2019

Price	**454.0p**
Market cap	**£178m**
AUM	**£223m**
NAV*	515.8p
Discount to NAV	12.0%
NAV**	518.7p
Discount to NAV	12.5%

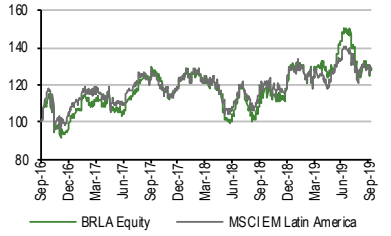
*Excluding income. **Including income. As at 7 October 2019.

Yield	5.9%
Ordinary shares in issue	39.3m
Code	BRLA
Primary exchange	LSE
AIC sector	Latin America
Benchmark	MSCI EM Latin America

Share price/discount performance



Three-year performance vs index



52-week high/low	538.0p	411.0p
NAV** high/low	606.0p	478.6p

**Including income.

Gearing

Net*	9.5%

*As at 31 August 2019.

Analysts

Mel Jenner +44 (0)20 3077 5720
Sarah Godfrey +44 (0)20 3681 2519
investmenttrusts@edisongroup.com
Edison profile page

BlackRock Latin American Investment Trust is a research client of Edison Investment Research Limited

Exhibit 1: Trust at a glance

Investment objective and fund background

BlackRock Latin American Investment Trust seeks long-term capital growth and an attractive total return, primarily through investing in quoted Latin American securities. The trust was launched in 1990 and management was transferred to BlackRock on 31 March 2006 following a tender process. The managers follow a mainly bottom-up approach (taking top-down views into account) that is flexible but seeks growth at a reasonable price. The trust has an indefinite life subject to a two-yearly continuation vote. The benchmark is the MSCI Emerging Markets Latin America index.

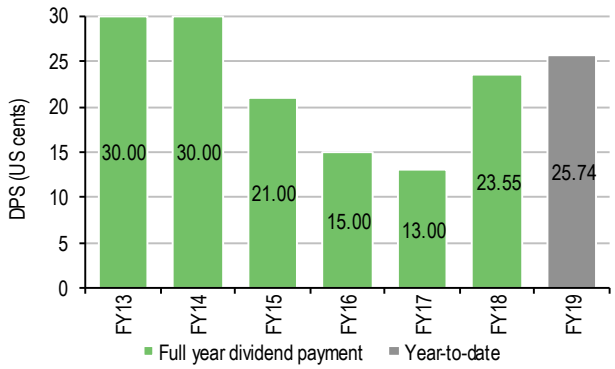
Recent developments

- 1 October 2019: announcement of third quarterly dividend of 8.03c/share.
- 17 September 2019: six-month results ending 30 June 2019. NAV TR +15.3% vs benchmark TR +12.6%. Share price TR +21.6% (all figures in $).
- 1 July 2019: announcement of second quarterly interim dividend of 9.15c/share.
- 1 April 2019: announcement of first quarterly interim dividend of 8.56c/share.
- 28 March 2019: annual results ending 31 December 2018. NAV TR -5.4% vs benchmark TR -6.6%. Share price TR -6.9% (all figures in $).

Forthcoming		Capital structure		Fund details	
AGM	May 2020	Ongoing charges	1.03% (FY18)	Group	BlackRock Fund Managers
Final results	March 2020	Net gearing	11.1%	Managers	Ed Kuczma and Sam Vecht
Year end	31 December	Annual mgmt fee	0.8% of NAV	Address	12 Throgmorton Avenue, London, EC2N 2DL
Dividend paid	Quarterly	Performance fee	None		
Launch date	July 1990	Trust life	Indefinite, subject to vote	Phone	+44 (0) 20 7743 3000
Continuation vote	Two-yearly – next 2020 AGM	Loan facilities	Up to $40m	Website	www.blackrock.co.uk/brla

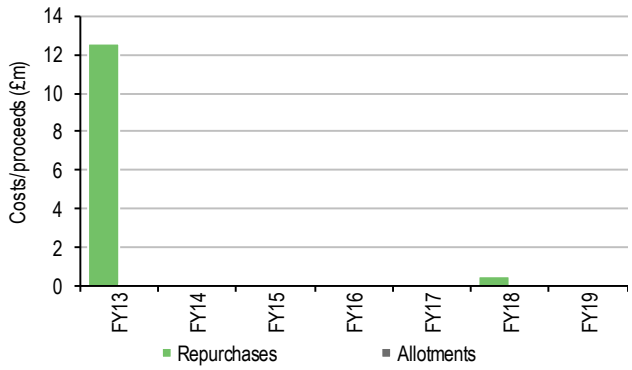
Dividend policy and history (financial years)

Starting in FY18, dividends paid quarterly, equivalent to 1.25% of quarter-end $ NAV. FY18 was a transitional year with three quarterly dividends paid.

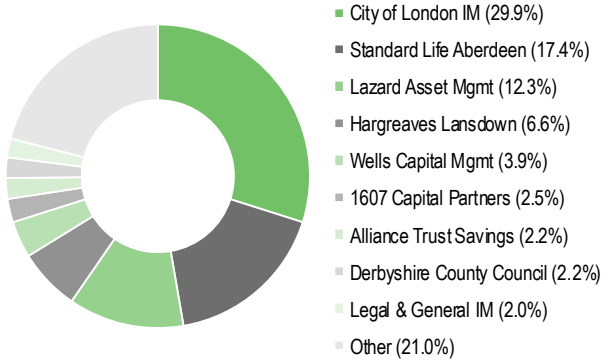


Share buyback policy and history (financial years)

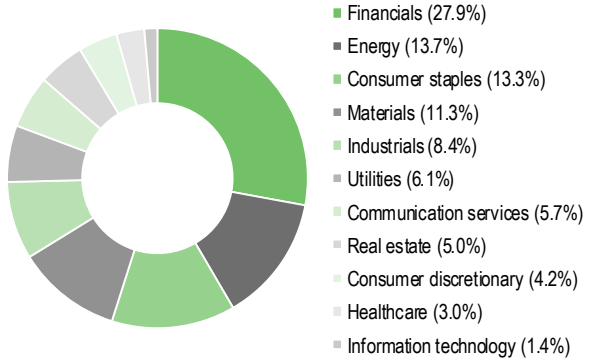
Renewed annually, BRLA is authorised both to repurchase up to 14.99% of its ordinary shares and to allot shares up to 5% of the issued share capital.



Shareholder base (as at 31 August 2019)



Portfolio exposure by sector (as at 31 August 2019)



Top 10 holdings (as at 31 August 2019)

			Portfolio weight %			
Company	Country	Sector	31 August 2019	31 August 2018*	Benchmark weight	Active weight vs benchmark
Petrobras	Brazil	Energy	10.2	6.9	7.4	2.8
Itaú Unibanco	Brazil	Banks	8.7	7.4	6.3	2.4
Banco Bradesco	Brazil	Banks	5.7	7.4	6.5	(0.8)
Ambev	Brazil	Food, beverages & tobacco	5.0	N/A	3.4	1.6
Banco do Brasil	Brazil	Banks	4.1	N/A	1.5	2.6
Grupo Financiero Banorte	Mexico	Banks	4.1	4.6	2.2	1.9
Femsa	Mexico	Food, beverages & tobacco	4.1	4.6	2.8	1.3
America Movil	Mexico	Telecommunication services	4.0	6.1	3.9	0.1
B3	Brazil	Diversified financials	3.2	3.1	3.6	(0.4)
Rumo	Brazil	Transportation	3.1	N/A	0.9	2.2
Top 10 (% of holdings)			**52.2**	**56.4**		

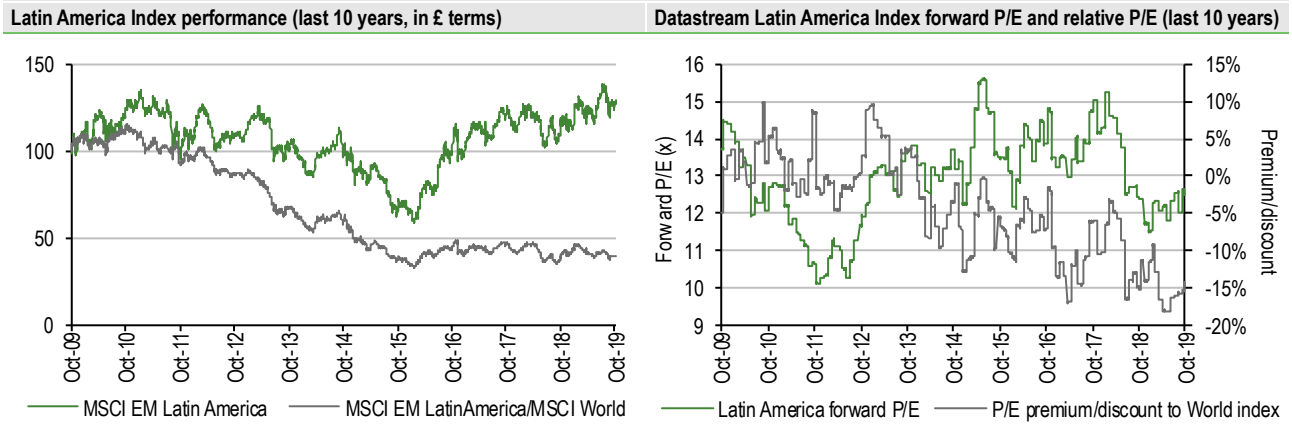
Source: BlackRock Latin American Investment Trust, Edison Investment Research, Bloomberg, Morningstar. Note: *N/A where not in end-August 2018 top 10.

Market outlook: Selectivity warranted

While the Latin American equity market can be volatile, as illustrated recently by a major sell-off in Argentina following a surprise outcome in the primary presidential election, there are attractively valued, high-quality investments available in the region.

The Latin American economy is dominated by Brazil and although growth expectations for the country have been reduced over the course of this year, partly due to the US-China trade dispute, the favourable interest rate environment and market-friendly president are supportive of higher GDP growth in the future. In aggregate, Latin American equities are trading at relatively attractive valuations. On a forward P/E multiple basis, the Datastream Latin America Index is trading at a 15.5% discount to the world market, which is a meaningfully wider differential than the 4.5% 10-year average discount. Investors seeking global equity exposure may find this valuation backdrop worthy of consideration.

Exhibit 2: Market performance and valuation



Source: Refinitiv, Edison Investment Research. Note: At 7 October 2019.

Fund profile: Exposure to Latin American equities

Launched in July 1990, BRLA has been managed by BlackRock since March 2006. Its shares are quoted, in sterling, on the Main Market of the London Stock Exchange, while its financial statements are reported, and its NAV quoted, in both US dollars and sterling.

Following the announced departure of former manager Will Landers, since 24 December 2018, BRLA has had two co-managers, Sam Vecht and Ed Kuczma. Vecht is a managing director in BlackRock's global emerging markets equities team, having joined Merrill Lynch Investment Management in 2000 (which merged with BlackRock in 2006). He has managed a number of UK investment trusts since 2004, including funds invested in Latin America. Kuczma joined BlackRock in 2015 as a senior research analyst on the Latin America equity team and has more than 15 years' experience investing in the region across all sectors and countries.

The managers aim to generate long-term capital growth and an attractive total return from a diversified portfolio of companies whose shares are listed, or whose main operations are in, Latin America; fund performance is benchmarked against the MSCI Emerging Markets Latin America Index. The fund's closed-end structure allows Vecht and Kuczma to have a longer-term investment horizon and hold a higher percentage of smaller-cap/less-liquid names than if they were running a comparable open-ended fund. BRLA's board views 105% of NAV as a neutral level of gearing, which is utilised actively in a range of 5% net cash to 15% geared (at the time of drawdown). Net gearing should not exceed 25% of NAV in normal market conditions; at end-August 2019 it was

9.5%. Other investment limits dictate that BRLA's exposure to Brazil, Mexico, Chile, Argentina, Peru, Colombia and Venezuela are each a maximum plus or minus 20pp of the benchmark index weights, while for all other Latin American countries the limit is plus or minus 10pp. At the time of investment, up to 15% of the portfolio may be in a single company; the fund may not hold more than 15% of a company's market cap; and a maximum 10% of BRLA's gross assets may be invested in unquoted securities. Derivatives may be used for efficient portfolio management or to reduce risk (covering up to 20% of the portfolio) and currency exposure is unhedged.

The fund managers: Ed Kuczma and Sam Vecht

The manager's view: Constructive outlook for Latin America

Kuczma is constructive on the outlook for Latin American equities. While acknowledging that the global backdrop is challenging given the ongoing US-China trade dispute, which is negatively affecting the Latin American commodity complex, he cites reasons for optimism. In general, inflation in Latin America is under control, a situation the manager believes should continue in coming months, which should allow central banks to further reduce interest rates to stimulate growth. Kuczma also highlights tight government fiscal budgets in Brazil and Mexico, along with ambitious private sector-backed infrastructure projects, which should have a positive multiplier effect on the Latin American economy. Higher growth expectations should be positively received by investors given forecasts have come down over the course of 2019, heavily influenced by the trade situation.

Offering his observations on the individual Latin American countries, the manager says that in Brazil the most positive development in recent months is pension reform, which is progressing faster than expected, and anticipated cost savings over the next 10 years are also larger than initial forecasts. The smooth passage for pension reform provides momentum for additional reforms, such as tax, telecoms and energy, which would be supportive for the Brazilian and Latin American markets.

Kuczma is also encouraged by privatisation, which can lead to companies being managed much more efficiently. He cites state oil company Petrobras (BRLA's largest position at c 10% of the portfolio), which is selling non-core operations, such as loss-making refineries and petrol stations, and is undergoing cost-reduction initiatives including headcount reductions and a voluntary redundancy programme. This should allow the company to focus on its core operations of oil and gas exploration and production. The manager explains that Petrobras has undertaken a significant amount of infrastructure capex in recent years, which should afford it good operating leverage and lead to higher returns in the future. He believes that the company is at an inflexion point of having world-class production growth. However, Kuczma notes there are other less encouraging developments in Brazil; the multiple fires in the Amazon basin are a major geopolitical issue and raise a yellow flag for foreign trade deals for Latin America, including the recent agreement between the European Union and the Mercosur states (Argentina, Brazil, Paraguay and Uruguay).

Regarding Mexico, Kuczma says that following the 2018 presidential election, there were fears about the aggressive social and infrastructure programme versus an austere fiscal balance; president Andrés Manuel López Obrador (AMLO) has promised not to allow the government debt to GDP ratio to rise. There has been a tough transition since the government came to power as new, multiple layers of ministers have led to delays in project approvals, which has affected economic growth; hence, consensus expectations have moved down during 2019. The construction of a new airport in Mexico City has been cancelled by the government in favour of upgrading three smaller facilities, a decision Kuczma suggests is irrational given the current Mexico City airport is operating at full capacity. The manager notes there was a positive development in August as negotiations for an international natural gas pipeline between the US and Mexico resulted in a neutral agreement; it was a sign that AMLO may be less dogmatic towards the private sector than previously thought.

The manager says that recent events in Argentina are concerning. There was a primary election in early August 2019, which once again went against pollsters' predictions (much like the election of Donald Trump and the outcome of the UK's European referendum). Kuczma and his team visited Argentina in July this year. The trip included meetings with politicians, with the expectation that the primary election outlook would be a 'coin toss'. Economic indicators, such as consumer confidence, lower inflation and higher purchasing power, should have provided a tailwind to incumbent conservative president Mauricio Macri in the run-up to the primary election. However, left-wing opposition leader Alberto Fernández achieved a landslide 15pp victory, which led to c 40% slide in Argentina's equity market in a single day, a magnitude almost unprecedented in global markets over the last 50 years. The primary result has led to much uncertainty, including whether Argentina will continue to receive assistance from the International Monetary Fund if Fernández wins in October's poll. There is a downward spiral of currency weakness, higher inflation and more economic pain for the economy. In addition, there is now a risk that Argentina will be returned to frontier status, having been promoted to the MSCI Emerging Markets Index in June 2019, which provided a meaningful boost to the domestic equity market.

Kuczma says that smaller economies in Latin America are more susceptible to the negative effects of the trade war, as their economies are less diversified. Peru and Chile are dependent on copper mining and economic growth expectations in these countries have come down. BRLA has underweight exposures to both countries, along with Colombia, which is experiencing negative spill-over effects from the Venezuelan crisis.

Asset allocation

Investment process: Primarily bottom-up stock selection

Vecht and Kuczma aim to generate an attractive total return, ahead of the performance of the benchmark MSCI Emerging Markets Latin America Index. The fund is relatively concentrated with 45 names (down from c 55 a year ago), typically companies with mispriced growth potential and/or those whose attributes of sustained value creation are underappreciated by the wider market. The managers seek companies with a quality management team, a good corporate governance track record and a regard for minority shareholders; positive fundamentals in terms of good long-term earnings growth, strong cash flow generation and a robust balance sheet; and an attractive valuation. They are able to draw on the deep resources of BlackRock's relevant analyst teams, who conduct on-the-ground research, meeting with target companies, their competitors and suppliers, as well as with government officials, central bankers, industry regulators and consultants. Potential investee companies undergo thorough fundamental research, the results of which are considered alongside top-down, macro analysis. The managers invest across the market cap spectrum, with an investible universe of c 250 names compared with c 120 in the index; however, around 70% of the portfolio is in larger-cap companies (>$10bn). Portfolio turnover is typically 40–60% pa (44% in 2018, which was mainly adding to or reducing existing positions).

From a top-down perspective, the managers explain that there are four main drivers (four Cs) to the regional economy to be considered:

- **Consumption** – Kuczma is the most constructive on this driver, especially in Brazil and Mexico. Brazil has seen a dramatic reduction in interest rates from 14.25% two years ago to 6.00% now. He expects further rate reductions as inflation is benign and growth is stagnant. The Mexican government has raised the minimum wage and there are changes in social policies to support the population, while it is focusing on a stable peso to support consumption.
- **Commodities** – this driver is facing headwinds, although the manager remains positive on the outlook for energy stocks due to stock-specific reasons. He has a negative view on iron ore and

bulk materials due to lower Chinese growth. There are also regulatory issues in Mexico and Peru, which may mean that it will be more difficult to get projects approved.

- **Credit** – in Brazil, banks are supported by low household and corporate indebtedness. Institutional investors typically buy fixed income securities due to their high yields and relatively low risk. However, with lower interest rates there is increased appetite for equities, which should lead to lower stock market volatility, while supporting equity valuations. The manager also notes that a record number of new accounts have been opened at brokerage firms, indicating increased demand from retail investors.
- **Currencies** – Kuczma believes that better economic growth and pension reform in Brazil should be supportive for the real. However, while the Mexican government is focused on a stable peso, the manager is concerned about the outlook for the Argentine peso given the uncertainty following the recent primary election.

Current portfolio positioning

At end-August 2019, BRLA's top 10 positions made up 52.2% of the portfolio, which was a lower concentration compared with 56.4% a year earlier; seven positions were common to both periods. As shown in Exhibit 3, the Latin American market is dominated by Brazil, where the trust has a modest overweight exposure. Over the 12 months to the end of August, the largest weighting changes are Brazil (+4.4pp) and Mexico (-6.5pp).

Exhibit 3: Portfolio geographic exposure vs benchmark (% unless stated)

	Portfolio end-August 2019	Portfolio end-August 2018	Change (pp)	Index weight	Active weight vs index (pp)	Trust weight/ index weight (x)
Brazil	67.1	62.7	4.4	62.8	4.3	1.1
Mexico	22.8	29.3	(6.5)	21.2	1.6	1.1
Argentina	4.4	1.7	2.7	1.5	2.9	2.9
Chile	2.2	3.6	(1.4)	7.8	(5.6)	N/A
Colombia	2.2	1.8	0.4	3.5	(1.3)	0.6
Panama	1.3	0.9	0.4	0.0	1.3	N/A
Peru	0.0	0.0	0.0	3.2	(3.2)	0.0
	100.0	**100.0**		**100.0**		

Source: BlackRock Latin American Investment Trust, Edison Investment Research. Note: The trust weightings exclude net current assets/liabilities and fixed interest.

In terms of sector exposure (Exhibit 4), over the 12 months to end-August the largest increases are energy (+5.7pp) and utilities (+5.3pp), which are outweighed by the two largest decreases, materials (-9.5pp) and consumer discretionary (-6.0pp). Looking at active weights, those to note are a positive view on energy (+4.0pp) and real estate (+3.6pp), with an underweight in the largest sector financials (-6.0pp).

Exhibit 4: Portfolio sector exposure vs benchmark (% unless stated)

	Portfolio end-August 2019	Portfolio end-August 2018	Change (pp)	Index weight	Active weight vs index (pp)	Trust weight/ index weight (x)
Financials	27.9	29.7	(1.8)	33.9	(6.0)	0.8
Energy	13.7	8.0	5.7	9.7	4.0	1.4
Consumer staples	13.3	11.1	2.2	15.9	(2.6)	0.8
Materials	11.3	20.8	(9.5)	12.6	(1.3)	0.9
Industrials	8.4	8.6	(0.2)	6.3	2.1	1.3
Utilities	6.1	0.8	5.3	6.0	0.1	1.0
Communication services	5.7	7.5	(1.8)	6.4	(0.7)	0.9
Real estate	5.0	0.9	4.1	1.4	3.6	3.6
Consumer discretionary	4.2	10.2	(6.0)	5.7	(1.5)	0.7
Healthcare	3.0	1.0	2.0	1.2	1.8	2.5
Information technology	1.4	1.4	0.0	0.9	0.5	1.6
	100.0	**100.0**		**100.0**		

Source: BlackRock Latin American Investment Trust, Edison Investment Research. Note: The trust weightings exclude net current assets/liabilities and fixed interest.

Kuczma highlights some of the changes in BRLA's portfolio in recent months. Purchases include:

- **Copa** – a Panamanian airline that is enjoying strong margin expansion. The company operates in an attractive location; headquartered in Panama City, its main hub is at Tocumen International Airport, with flights connecting North and South America. Copa flies frequently to many underserved markets, which leads to a loyal customer base and pricing power.
- **Ecopetrol** –the national oil company in Colombia. Kuczma describes the company as 'under-owned, undervalued and unloved'. It has a relatively new CEO who is very energetic about raising the firm's production profile and making acquisitions to diversify its operations. There is potential for a change in legislation that would allow increased exploration and development of unconventional gas assets, similar to the prolific Permian Basin in the US.
- **Enel Chile** – added to the fund following a period of Chilean market weakness. The manager says that this energy company offers a nice mix of earnings stability, a discounted valuation and an attractive dividend yield. This relatively defensive position is deemed appropriate given the uncertain macro backdrop due to the ongoing US-China trade dispute.
- **Grupo Aeroportuario del Pacífico (GAP)** – a Mexican airport group with a high level of passenger growth. The company's business model focuses on regional airports, which brings pricing flexibility; it has two low-cost carrier operating hubs in Guadalajara and Tijuana.
- **Kimberley-Clark de México** – this consumer goods company is benefiting from improved wages in Mexico driving demand for products such as disposable nappies and higher-quality toilet paper, which appeal to the emerging middle class. This is a defensive business where margins are improving due to lower pulp prices and the company offers an attractive c 4% dividend yield.

Recent sales include BRF (a Brazilian poultry player that has improved its margins and debt profile; the stock was sold following a revaluation), and Falabella (a Chilean department store that had posted a series of weak retail sales, partly driven by a switch to ecommerce and also due to an influx of Venezuelan refugees who are prepared to take lower-salaried jobs in Chile, which is a drag on purchasing power).

BRLA's Argentinian exposure has also been reduced, particularly in banks, where there is a risk of higher delinquencies, rising interest rates and lower economic growth. The trust continues to have a position in energy company YPF, which Kuczma considers to be an attractive asset. YPF has the largest asset in the Vaca Muerta shale basin. Kuczma says that regardless of who wins the presidential election, both parties have stated that energy is a priority for development.

Performance: Recent results affected by Argentina

Exhibit 5: Five-year discrete performance data

12 months ending	Share price (%)	NAV (%)	MSCI EM Latin America (%)	FTSE All-Share (%)	MSCI World (%)
30/09/15	(35.5)	(32.7)	(34.1)	(2.3)	2.1
30/09/16	49.6	46.4	50.5	16.8	30.6
30/09/17	23.9	22.4	22.0	11.9	15.0
30/09/18	(12.4)	(8.7)	(6.1)	5.9	15.1
30/09/19	19.5	13.5	13.3	2.7	8.4

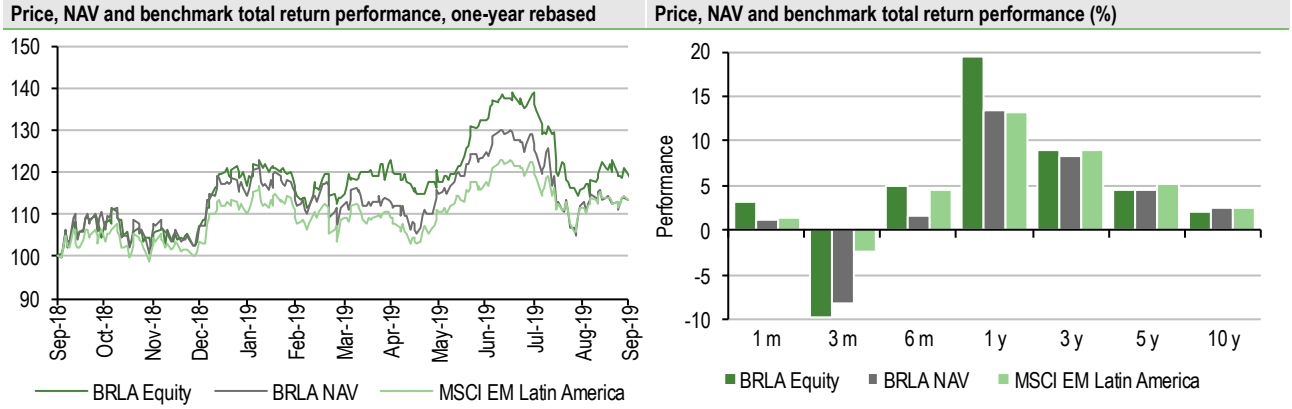
Source: Refinitiv. Note: All % on a total return basis in pounds sterling.

In H119, BRLA's NAV and share price total returns of +15.3% and +21.6% were ahead of the benchmark's +12.6% total return (all figures in $). The top three contributors to returns were all Argentinian stocks, Banco Macro (bank), Globant (technology services) and YPF (energy), whereas the top detractors were Vale (Brazil, mining) and Cemex (Mexico, cement).

Kuczma explains that performance in August 2019 was tough due to the trust's exposure to Argentina, which was significantly affected by the surprise landslide opposition win in the primary round of the presidential election. However, he highlights continued good performance from the

majority of the fund's Brazilian holdings, helped by favourable reform progress. There is a bias to the consumer, with holdings including ASUR, which is benefiting from increased demand for air travel; Localiza Rent a Car; and exposure to the healthcare sector. In contrast, the position in Brazilian telecom company Oi (formerly known as Telemar) has delivered weaker than expected operating results, as its capex programme to support future growth is a medium-term drain on cash flow, while telecom reform was only recently approved, having previously been expected in Q119.

Exhibit 6: Investment trust performance to 30 September 2019



Source: Refinitiv, Edison Investment Research. Note: Three, five and 10-year performance figures annualised.

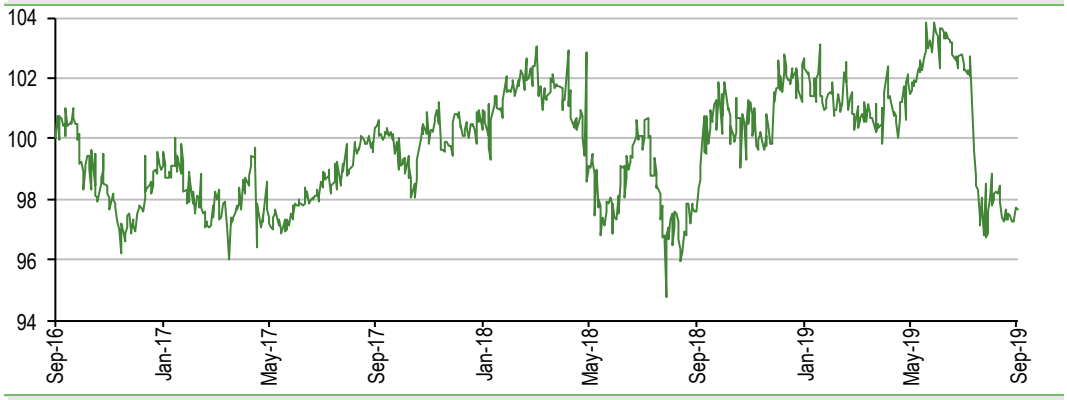
Recent significant Argentinian market weakness affected BRLA's August 2019 relative returns (see Exhibits 6, 7 and 8). Unfortunately, this has also had a negative impact on the trust's longer-term track record, although its NAV and share price total returns remain ahead of the benchmark over the last 12 months, and its NAV is modestly outperforming over the last decade.

Exhibit 7: Share price and NAV total return performance, relative to indices (%)

	One month	Three months	Six months	One year	Three years	Five years	10 years
Price relative to MSCI EM Latin America	1.7	(7.5)	0.4	5.5	(0.1)	(2.7)	(4.1)
NAV relative to MSCI EM Latin America	(0.2)	(5.9)	(2.6)	0.1	(2.3)	(2.8)	0.3
Price relative to FTSE All-Share	0.2	(10.9)	0.3	16.4	6.5	(9.9)	(44.7)
NAV relative to FTSE All-Share	(1.7)	(9.3)	(2.7)	10.5	4.2	(10.0)	(42.2)
Price relative to MSCI World	2.1	(13.2)	(5.4)	10.3	(9.7)	(34.6)	(62.4)
NAV relative to MSCI World	0.2	(11.7)	(8.3)	4.7	(11.6)	(34.7)	(60.7)

Source: Refinitiv, Edison Investment Research. Note: Data to end-September 2019. Geometric calculation.

Exhibit 8: NAV total return performance relative to benchmark over three years



Source: Refinitiv, Edison Investment Research

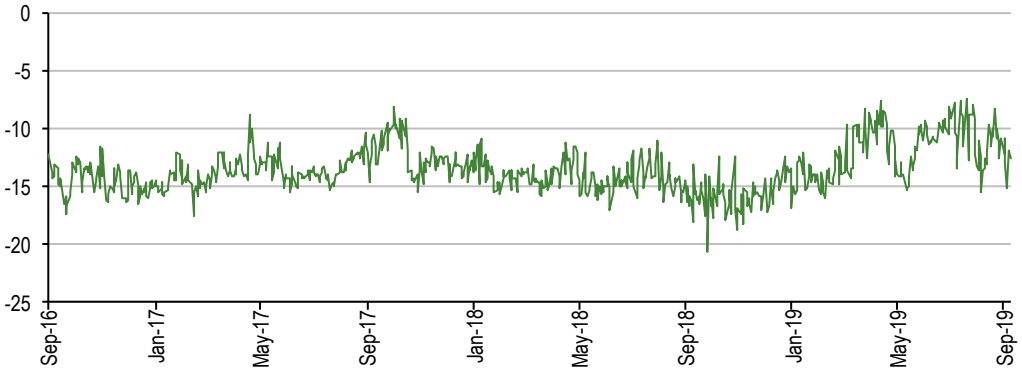
Discount: Much narrower than in Q418

In an effort to reduce BRLA's discount volatility, the board employs a discount control mechanism. A 24.99% tender will be triggered (subject to the biennial continuation votes in 2020 and 2022 being

passed) if the trust underperforms the benchmark by greater than 1% pa over the four years ending on 31 December 2021, or if BRLA's average share price discount to cum-income NAV exceeds 12% over this period.

The trust's current 12.5% share price discount to cum-income NAV is modestly narrower than the 12.9% to 13.5% range of average discounts over the last one, three and five years. It is significantly narrower than the 20.6% decade-wide discount that occurred during a period of global stock market weakness in October 2018. Renewed annually, BRLA is authorised to repurchase up to 14.99% of its ordinary shares; in FY18 a modest 110k shares were bought back (c 0.3% of the share base) at an average discount of 12.5%.

Exhibit 9: Share price discount to NAV (including income) over three years (%)



Source: Refinitiv, Edison Investment Research

Capital structure and fees

BRLA is a conventional investment trust with one class of share; there are 39.3m ordinary shares in issue. The trust has an overdraft facility for up to $40m with Bank of New York Mellon; interest is payable at an annual rate of Libor +1%. Gearing is permitted up to 25% of NAV; at end-August 2019, net gearing was 9.5% (the historical range is from a modest net cash position to c 12% geared). BlackRock is paid an annual management fee of 0.80% of NAV, charged 75% and 25% to the capital and income accounts respectively; no performance fee is payable. In FY18, BRLA's ongoing charge was 1.03%, which was 8bp below 1.11% in FY17.

The trust is subject to a two-yearly continuation vote; the next is due at the May 2020 AGM.

Dividend policy and record

In FY18, BRLA's 15.13c per share revenue return was 2.1c higher than 13.03c per share in FY17; this was primarily due to a higher level of special dividends. The managers can also boost portfolio income by writing options, when deemed appropriate. As part of the board's effort to lower the trust's discount, it introduced a new dividend policy with effect from July 2018. There is now a regular quarterly dividend equivalent to 1.25% of $ NAV at the end of each calendar quarter, paid in May, August, November and February out of income and/or capital (previously the policy was to pay semi-annual dividends based on the fund's level of income). The board believes that partial payment out of capital removes pressure on the managers to seek a higher portfolio yield, which may detract from the trust's total returns. FY18 was a transition year with three interim dividends paid; so far, in FY19, three interim dividends have been declared (Exhibit 1), amounting to 25.74c. In H119, BRLA's 7.92c per share revenue return was 3.1% higher year-on-year. Based on its current share price, the trust now offers a 5.9% dividend yield.

Peer group comparison

BRLA is the larger of two funds in the AIC Latin America sector. It has a higher NAV total return over three years, with lower returns over one and five years; however, a direct comparison cannot be made as c 40% of Aberdeen Latin American Income Fund's portfolio is invested in government bonds. BRLA has the narrower discount, a more competitive ongoing charge and a broadly similar level of gearing. Both funds offer an attractive dividend yield, but BRLA's is c 100bp higher. To enable a broader comparison, in Exhibit 10 we also include a selection of open-ended funds that invest in Latin America. BRLA's NAV total returns are above the average of the open-ended funds over all periods shown.

Exhibit 10: Selected peer group as at 7 October 2019*

% unless stated	Market cap £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR 10 year	Discount (cum-fair)	Ongoing charge	Perf. fee	Net gearing	Dividend yield (%)
BlackRock Latin American	179.4	11.7	26.0	28.2	29.5	(11.7)	1.0	No	110	5.9
Aberdeen Latin American Income	41.3	17.5	25.0	30.1		(15.4)	2.0	No	111	4.9
Average	**110.4**	**14.6**	**25.5**	**29.2**	**29.5**	**(13.6)**	**1.5**		**110**	**5.4**
BRLA rank	**1**	**2**	**1**	**2**	**1**	**1**	**2**		**2**	**1**
Open-ended funds							TER			
ASI Latin American Equity	119.7	12.6	21.5	37.3			1.6			1.1
Fidelity Latin America	837.3	12.0	21.0	25.2	29.4		1.9			1.0
Schroder ISF Latin American	160.4	7.8	25.2	23.0	14.4		1.9			2.6
Templeton Latin America	730.6	15.3	22.9	26.9	12.7		2.3			1.2
Threadneedle Latin America	398.2	9.6	14.8	12.5	11.0		1.7			1.2
Average	**449.2**	**11.5**	**21.1**	**25.0**	**16.9**		**1.9**			**1.4**

Source: Morningstar, Edison Investment Research. Note: *Performance as at 4 October 2019 based on ex-par NAV. TR = total return. TER = total expense ratio. Net gearing is total assets less cash and equivalents as a percentage of net assets.

The board

Following the retirement of Antonio Monteiro de Castro on 31 March 2019, BRLA's board currently has five directors, all of whom are non-executive and independent of the manager. Chairman Carolan Dobson joined the board on 1 January 2016 and assumed her current role on 2 March 2017. The other four directors and their dates of appointment are: Laurence Whitehead (3 December 2003), Mahrukh Doctor (17 November 2009); Nigel Webber (1 April 2017); and Craig Cleland (1 January 2019). Whitehead announced his intention to step down at the May 2019 AGM after 15 years' service, but has delayed his retirement until the end of this year to allow more continuity following the appointment of BRLA's new co-managers in late December 2018. The board is undertaking a search for a new director.

EDISON

General disclaimer and copyright

This report has been commissioned by BlackRock Latin American Investment Trust and prepared and issued by Edison, in consideration of a fee payable by BlackRock Latin American Investment Trust. Edison Investment Research standard fees are £49,500 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of Liability: To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out or in connection with the access to, use of or reliance on any information contained on this note.

No personalised advice: The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

Investment in securities mentioned: Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Copyright: Copyright 2019 Edison Investment Research Limited (Edison). All rights reserved FTSE International Limited ("FTSE") © FTSE 2019. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

The Investment Research is a publication distributed in the United States by Edison Investment Research, Inc. Edison Investment Research, Inc. is registered as an investment adviser with the Securities and Exchange Commission. Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
1,185 Avenue of the Americas
3rd Floor, New York, NY 10036
United States of America

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia