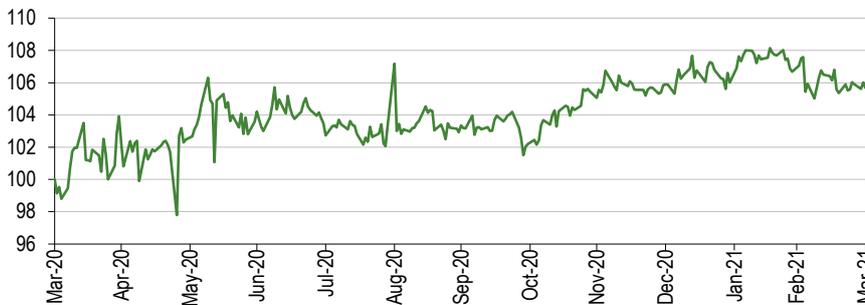


BlackRock Latin American IT

Managers optimistic about the region's prospects

BlackRock Latin American Investment Trust (BRLA) has become a more concentrated fund since the appointment of Sam Vecht and Ed Kuczma in late December 2018. Although Latin America has more recently been negatively affected by COVID-19, the managers are positive on the region's prospects. They suggest that it is 'under-owned, under-researched and undervalued' and will benefit from an improvement in the domestic and global economy. In recent months Vecht and Kuczma have identified several new investment opportunities across a range of industries, and while stocks are selected on a bottom-up basis there are a series of themes represented in the portfolio such as structural growth stocks.

NAV ahead of the benchmark over 12 months to end-March 2021



Source: Refinitiv, Edison Investment Research

Why invest in Latin America now?

The region has been hit particularly hard by COVID-19 and this has been reflected in stock market returns. In 2020, the MSCI Latin America Index declined by 16.2% (in £ terms). Latin American equities remain very attractively valued compared with global shares and may be providing an opportune entry point for investors willing to look through current negative headlines in anticipation of an improving world and domestic economy as the coronavirus vaccine programme gains momentum.

The analyst's view

BRLA's portfolio is actively managed, and its NAV has outpaced the performance of the benchmark over the 12 months to end-March 2021 despite periods of different stock market leadership. The newly defined dividend policy that was introduced in July 2018, based on 1.25% of quarter-end NAV, appears to have found favour with investors as since then the trust's discount has narrowed from c 15% to c 10%. There is scope for the discount to narrow further if there is increased investor demand for Latin American equities driven by the anticipated economic recovery.

Narrower discount and attractive dividend yield

BRLA is currently trading at a 9.7% share price discount to cum-income NAV, which compares with the 9.7% to 12.4% range of average discounts over the last one, three, five and 10 years. The trust pays a quarterly dividend based on 1.25% of its NAV and currently offers an attractive 4.8% yield.

Investment trusts Latin American equities

27 April 2021

Price 377.0p
Market cap £148m
AUM £176m

NAV* 417.4p
Discount to NAV 9.7%

*Including income. As at 23 April 2021.

Yield 4.8%

Ordinary shares in issue 39.3m

Code/ISIN BRLA/GB0005058408

Primary exchange LSE

AIC sector Latin America

52-week high/low 415.0p 268.0p

NAV* high/low 457.0p 288.4p

*Including income

Net gearing* 8.9%

*As at 31 March 2021

Fund objective

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.

Bull points

- Diversified Latin American equity exposure from a fund run by two very experienced managers.
- Defined dividend policy and attractive yield.
- Long-term NAV outperformance versus the benchmark.

Bear points

- Higher political and currency risk in Latin America than in developed economies.
- Latin American equity market can be volatile.
- Latin America is less well researched compared with developed markets.

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

Market outlook: Looking through negative headlines

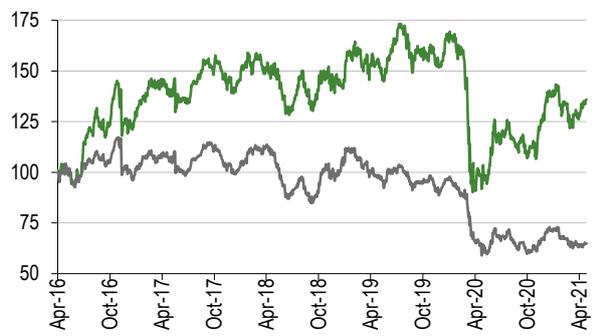
Unlike some other markets, Latin American equities have failed to fully recover from the coronavirus-led sell-off in early 2020 (Exhibit 1, LHS). The region has been hit hard by COVID-19 as recent headlines attest. Brazil is by far the largest Latin American economy and has experienced a growing number of daily deaths from the virus due to the prevalence of a more contagious variant. President Bolsonaro is under pressure over his handling of the pandemic as he has favoured keeping the Brazilian economy open rather than imposing lockdowns to try to bring the level of infections under control, and recently, for the first time in the country's history, the heads of its army, navy and air force all resigned together signalling their opposition to the president.

However, once COVID-19 is brought under control, Brazil, along with other countries in the region, is poised to benefit from an upturn in the global economy, helped by its status as a low-cost commodity producer; in general, commodity prices are well supported by robust demand and supply-side issues. The International Monetary Fund has recently released its April 2021 update to its World Economic Outlook. Compared to its January 2021 report both Latin American and the Caribbean and World Output in 2021 have been revised upwards by 0.5% to +4.6% and +6.0% respectively (the outlook for Brazil is +3.7% in 2021).

In the meantime, Latin American equities remain very attractively valued; the Datastream Latin America index is trading on a forward P/E multiple of just 12.1x, which is a considerable 39.3% discount to global equities, and very much wider than the 11.7% average discount over the last five years. For global investors willing to look through the current negative headlines, now may be an advantageous time to consider an allocation to Latin America.

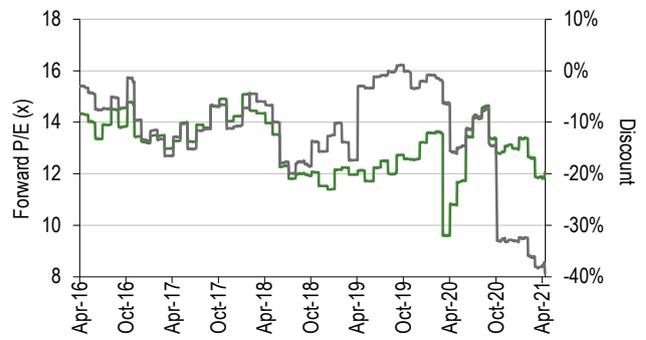
Exhibit 1: Market performance and valuation

Latin America index performance (last five years, in £ terms)



— MSCI EM Latin America — MSCI EM Latin America / MSCI World

Datastream Latin America Index forward and relative P/E (last five years)



— Latin America forward P/E — P/E premium/discount to World index

Source: Refinitiv, Edison Investment Research. Note: At 26 April 2021.

The fund managers: Ed Kuczma and Sam Vecht

The managers' view: Region is 'misunderstood'

Vecht believes that Latin America is 'under owned, under researched and undervalued'. He has a positive outlook on the region and believes that its underlying issues are 'in the price'. While the world is focused on COVID-19, the manager considers that Latin America is experiencing peak problems in this regard, although recent headlines out of Brazil suggest that this is a somewhat optimistic view, and valuations in the region 'stack up very well'. Vecht says that sell-side analysts are overly pessimistic and consensus earnings estimates too conservative as upgrades are already

occurring. 'It is easy to be dismissive of Latin American countries and focus on the challenges, but herein lie the opportunities', he adds.

The manager comments that the best performing emerging market stocks last year were those that 'raised capital, posted losses and have poor corporate governance standards'. He stresses that it is 'really important for long-term investors to own those businesses that make money, not those that promise to do so'. Vecht and Kuczma focus on cash flow generation, seeking profitable, dominant companies that are increasing their market shares.

While BRLA's stocks are selected on a bottom-up basis, the managers take the macroeconomic backdrop into account by focusing on four Cs: commodities, consumption, currencies and credit.

- **Commodities** – the fund is overweight the materials sector as industry fundamentals are strong and Latin America is a low-cost producing region. Kuczma is positive on the outlook for the pulp and paper sector, where pulp prices have risen by c 40% in the last few months and Brazil is the largest worldwide exporter. The manager also favours Mexican cement companies as they are benefiting from strong US demand from the housing and infrastructure sectors. There is robust global demand for lithium, helped by the growth in electric vehicles; BRLA has a position in Sociedad Química y Minera, which is a high-quality Chilean producer.
- **Consumption** – Kuczma believes that unemployment in Latin America has peaked and that economies will recover as the COVID-19 vaccine rollout progresses. This process has been slower than in developed markets, but the manager expects improved coverage over the summer, which should lead to higher levels of consumption. Kuczma is positive on the outlook for Brazil given continued low interest rates and subdued inflation, offering the prospects of higher disposable income.
- **Currencies** – the manager is positive on the outlook for the Chilean peso and the Peruvian sol given these countries' strong exports and better current account dynamics versus those of others in the region. He is cautious on the outlook for the Brazilian real due to political risks ahead of the 2022 presidential election and the country's high fiscal deficit. Kuczma has a neutral view on the outlook for the Mexican peso given policy uncertainty and a negative view on the Colombian peso due to the country's rising fiscal deficit and the need for tax reform. The manager says that Latin American currencies are relatively inexpensive compared with their own history and developed market currencies.
- **Credit** – Kuczma says that Brazilian banks are supported by higher interest rates and low household and corporate indebtedness. In Mexico, an emphasis on financial inclusion and improving credit penetration are offsetting policy concerns. Credit quality in Latin America has generally been better than expected.

Vecht explains that a generalist emerging market fund's exposure tends to be skewed towards North Asia and technology. At the end of March 2021 the MSCI Emerging Markets Index had c 65% in China, Taiwan and South Korea and c 33% in the information technology and communication services sectors, where many companies are highly valued and have regulatory risk. He suggests that there are interesting opportunities available in Latin America, a region that is 'unloved and attractively valued'. While 2020 was a momentum-led stock market as investors focused on growth stocks, Kuczma says that there has been 'a backup in bond yields and a rotation into value and reopening plays'. He suggests that Latin America is well positioned to benefit from a cyclical uplift. The manager expects a further backup in bond yields due to inflationary pressures as a result of government stimulus and a resumption of economic growth. He references the 2013 'taper tantrum', which was a collective reactionary panic that triggered a spike in US treasury yields, after investors learned that the Federal Reserve was slowly putting the brakes on its quantitative easing program. Higher bond yields will most negatively affect those countries with twin deficits (current account and budget deficits). Kuczma notes that some Latin American countries have current account surpluses, while Mexico and Chile have been prudent in managing their budgets.

Current portfolio positioning

At end-March 2020, BRLA's top 10 positions made up 49.9% of the fund, which was modestly higher than 47.4% a year earlier; six positions were common to both periods.

Exhibit 2: Top 10 holdings (as at 31 March 2021)

Company	Country	Sector	Portfolio weight %		Benchmark weight	Active weight vs benchmark
			31 March 2021	31 March 2020*		
Vale - ADS	Brazil	Materials	8.9	5.7	11.0	(2.1)
Banco Bradesco - ADR	Brazil	Banks	7.6	7.5	4.5	3.1
Petrobras - ADR**	Brazil	Energy	6.0	4.4	6.2	(0.2)
America Movil - ADR	Mexico	Telecom services	5.1	5.7	4.0	1.1
Walmart de México y Centroamérica	Mexico	General retailing	4.0	4.6	2.8	1.2
Cemex - ADR	Mexico	Materials	3.9	N/A	1.8	2.1
B3	Brazil	Diversified financials	3.8	4.5	3.4	0.4
Suzano Papel e Celulose	Brazil	Materials	3.7	N/A	1.6	2.1
Grupo Financiero Banorte	Mexico	Banks	3.6	N/A	2.5	1.1
Sociedad Química y Minera - ADR	Chile	Materials	3.3	N/A	1.2	2.1
Top 10 (% of holdings)			49.9	47.4		

Source: BlackRock Latin American IT, Edison Investment Research. Note: *N/A where not in end-March 2020 top 10. **Equity and preference shares.

Exhibit 3 shows that at the end of March 2021, the largest changes to BRLA's geographic exposure over the previous 12 months were a higher weighting to Chile (+10.9pp) broadly offset by lower weightings to Brazil (-8.4pp) and Colombia (-3.0pp). The trust had overweight positions in Chile (+4.4pp – positive outlook for commodities and one of the first countries to start its COVID-19 vaccination programme, which should help its economy reopen and boost growth); Mexico (+3.3pp – the country is a beneficiary of US stimulus policies and American companies moving their supply chains closer to home); and Argentina (+2.5pp – discounted valuations reflect greater uncertainty about debt restructuring, and a lack of resources to help firms and households navigate the global pandemic). BRLA had underweight positions in Brazil (-5.1pp – the country has had a 'challenging few months' and there is uncertainty ahead of the 2022 presidential election); and Peru and Colombia (-2.8pp and -2.3pp respectively – these are small countries with narrow stock markets and fiscal issues, while Colombia's economy is highly reliant on oil exports).

Exhibit 3: Portfolio geographic exposure vs MSCI EM Latin America Index (% unless stated)

	Portfolio end-March 2021	Portfolio end-March 2020	Change (pp)	Index weight	Active weight vs index (pp)	Trust weight/index weight (x)
Brazil	56.2	64.6	(8.4)	61.3	(5.1)	0.9
Mexico	27.3	24.0	3.3	24.0	3.3	1.1
Chile	12.4	1.5	10.9	8.0	4.4	1.6
Argentina	4.1	4.6	(0.5)	1.6	2.5	2.6
Peru	0.0	1.3	(1.3)	2.8	(2.8)	0.0
Colombia	0.0	3.0	(3.0)	2.3	(2.3)	0.0
Panama	0.0	1.0	(1.0)	0.0	0.0	0.0
	100.0	100.0		100.0		

Source: BlackRock Latin American IT, Edison Investment Research

There have been some quite large changes in BRLA's sector exposure in the 12 months to the end of March with a higher weighting in materials (+18.7pp) and lower weightings in financials (-9.4pp), consumer staples (-7.5pp) and utilities (-4.7pp). Although stocks are selected on a bottom-up basis, in aggregate the managers favour materials (+5.8pp versus the benchmark), while there are meaningful underweights to consumer staples (-9.4pp) and utilities (-4.6pp).

Exhibit 4: Portfolio sector exposure vs MSCI EM Latin America Index (% unless stated)

	Portfolio end-March 2021	Portfolio end-March 2020	Change (pp)	Index weight	Active weight vs index (pp)	Trust weight/index weight (x)
Materials	29.8	11.1	18.7	24.0	5.8	1.2
Financials	22.2	31.6	(9.4)	24.4	(2.2)	0.9
Consumer discretionary	8.9	11.4	(2.5)	5.6	3.3	1.6
Industrials	8.4	4.3	4.1	6.1	2.3	1.4
Energy	6.0	9.2	(3.2)	8.8	(2.8)	0.7
Consumer staples	5.3	12.8	(7.5)	14.7	(9.4)	0.4
Information technology	5.2	0.8	4.4	1.8	3.4	2.9
Communication services	5.1	5.7	(0.6)	6.2	(1.1)	0.8
Healthcare	4.2	3.6	0.6	2.1	2.1	2.0
Real estate	4.0	3.9	0.1	0.8	3.2	5.0
Utilities	0.9	5.6	(4.7)	5.5	(4.6)	0.2
	100.0	100.0		100.0		

Source: BlackRock Latin American IT, Edison Investment Research

Kuczma highlights a number of themes represented in BRLA's portfolio:

- **Structural growth** – companies that benefit from secular trends, which should persist over the course of the cycle. Focusing on areas where there is underpenetrated demand, firms that are market share winners and industry consolidators including e-commerce, software, healthcare and convenience stores.
- **Reinvestment opportunity leaders** – quality companies that generate economic value (where returns on invested capital are greater than the weighted average cost of capital), with potential for market share gains such as technology, digital payments and car rental businesses.
- **Materials stocks with attractive valuations** – recovering demand and tight supply have led to robust commodity prices, which the managers expect to continue. Latin America has natural advantages as it is a low-cost producer. Favoured areas include cement, copper, lithium, pulp and paper and steel.
- **Mobility winners with positive asymmetry** – cyclical companies offering positive and appealing asymmetries when compared to historical multiples. Firms that should benefit from increased mobility as the COVID-19 vaccine programme is rolled out such as airlines, real estate and consumer discretionary businesses.

In recent months new positions initiated include: Locaweb (a Brazilian software company with potential for accelerating growth); Cielo (a Brazilian payment system firm that posted better-than-expected Q420 results, is facing less competition and is attractively valued); Banco BTG Pactual (a Brazilian financial company that is expected to generate higher earnings growth than traditional banks given its market share gains and growth in its asset management businesses); Suzano Papel e Celulose (a Brazilian pulp and paper firm; decision based on expectations of higher pulp prices in 2021 and the attractive environmental, social and governance (ESG) profile of the company); Walmart de México y Centroamérica (the retailer has a stable growth profile and the manager expects its return on capital to improve); and FEMSA (a Mexican beverage and retail company to gain exposure to an economic reopening trade; recent launches of digital loyalty and payment programmes should help improve customer engagement).

Complete disposals include: B2W (a Brazilian online retail firm, which was a lower-conviction holding given recent market share losses); Banco do Brasil (the company faced pressure from the government related to its cost cutting plan); Petrobras Distribuidora (a Brazilian petroleum distributor facing increasing competition and falling marginal returns); Lojas Renner (the managers locked in profits from this holding in a Brazilian retail chain following a period of outperformance); Energisa (a Brazilian electric services company, sold to reduce exposure to interest-rate-sensitive bond proxies); and Southern Copper (a Mexican miner following a strong run in its share price).

Performance: Behind the benchmark in FY20

Exhibit 5: Five-year discrete performance data

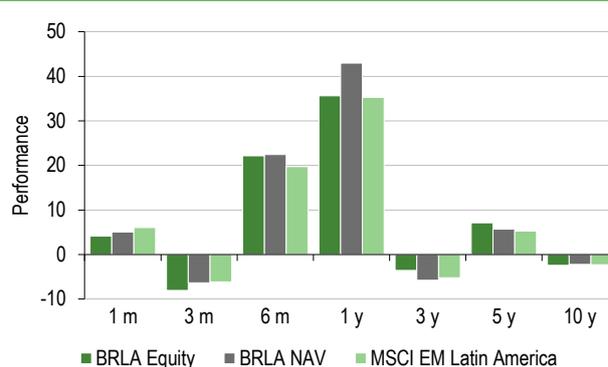
12 months ending	Share price (%)	NAV (%)	MSCI EM Latin America (%)	CBOE UK All Companies (%)	MSCI World (%)
31/03/17	40.9	42.1	42.1	22.6	32.7
31/03/18	11.6	11.2	6.7	1.2	1.8
31/03/19	(0.8)	(1.3)	0.8	6.2	12.6
31/03/20	(33.3)	(40.8)	(37.5)	(19.1)	(5.3)
31/03/21	35.6	42.9	35.3	26.6	39.1

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

Exhibit 6: Investment trust performance to 31 March 2021

Price, NAV and benchmark total return performance, one-year rebased

Price, NAV and benchmark total return performance (%)



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

Although BRLA has outperformed the benchmark in the 12 months to the end of March 2021, during FY20 (to 31 December) BRLA's net asset value (NAV) total returns of -14.5% (\$) and -17.2% (£) lagged the benchmark's total returns of -13.8% (\$) and -16.2% (£). The trust's share price total returns were somewhat better at -9.3% (\$) and -12.1% (£). Stock selection detracted from BRLA's performance, particularly in Brazil, while asset allocation was positive, helped by an overweight Mexican exposure.

At the stock level, the largest positive contributors to the trust's relative returns were holdings in Ternium and Via Varejo. Ternium (a non-index stock) is a leading Latin American steel producer that has benefited from rising steel prices in North America. The company has been investing in a new Mexican growth platform and has taken market share from weaker domestic competitors. Via Varejo is a Brazilian retailer with a new management team that is turning around the company's e-commerce operations and has a digital transformation agenda. Detractors to BRLA's relative returns included not holding Brazilian online retailer Magazine Luíza, which benefited from COVID-19 lockdowns, and the position in Banco do Brasil due to interest rate cuts and fears of increasing loan delinquencies because of the global pandemic. In terms of sectors, the trust benefited from overweight exposures to materials and healthcare, while its real estate exposure was negatively affected by lower activity levels, rent holidays and higher vacancies.

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	(1.8)	(2.1)	2.0	0.3	5.4	9.3	(1.3)
NAV relative to MSCI EM Latin America	(0.9)	(0.2)	2.3	5.7	(1.8)	2.2	0.8
Price relative to CBOE UK All Companies	(0.4)	(13.0)	2.5	7.1	(17.5)	4.5	(56.3)
NAV relative to CBOE UK All Companies	0.6	(11.3)	2.7	12.9	(23.2)	(2.2)	(55.4)
Price relative to MSCI World	(0.6)	(11.7)	8.8	(2.5)	(39.5)	(29.6)	(75.2)
NAV relative to MSCI World	0.3	(10.0)	9.1	2.8	(43.7)	(34.1)	(74.7)

Source: Refinitiv, Edison Investment Research. Note: Data to end-March 2021. Geometric calculation.

BRLA's relative total returns are shown in Exhibit 7. Its NAV is ahead of the benchmark over the last one, five and 10 years, while lagging over the last three years, and the trust's share price has outperformed over the last one, three and five years.

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



Source: Refinitiv, Edison Investment Research

Peer group comparison

There are just two funds in the AIC Latin America sector, and they have somewhat different mandates. BRLA has an equity portfolio, while Aberdeen Latin American Income Fund's portfolio is broadly split 60:40 between equities and government bonds. BRLA has the highest NAV total return over the last 12 months and five years and the lowest over three and 10 years. It is currently trading on a narrower discount, and has a more competitive ongoing charge and a lower level of gearing. The trust offers a lower dividend yield.

To enable a broader comparison, in Exhibit 9 we also include a selection of open-ended funds that invest in Latin America. BRLA's NAV total returns are above average over one, five and 10 years, while lagging over the last three years. It has a significantly higher dividend yield than all of the open-ended funds.

Exhibit 9: Selected peer group as at 26 April 2021*

% 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	148.0	46.2	(10.7)	36.5	(15.9)	(10.0)	1.1	No	109	4.8
Aberdeen Latin American Income	32.0	29.6	(8.6)	31.7	(4.2)	(12.4)	2.0	No	113	6.3
Average	90.0	37.9	(9.7)	34.1	(10.0)	(11.2)	1.6		111	5.5
BRLA rank	1	1	2	1	2	1				2
Open-ended funds							TER			
ASI Latin American Equity	98.6	36.6	(11.0)	30.9	(8.2)		1.6			0.8
Fidelity Latin America	527.1	46.3	(3.9)	41.5	(7.8)		1.1			0.0
Schroder ISF Latin American	160.1	41.3	(2.9)	43.8	(15.4)		1.9			1.8
Templeton Latin America	521.9	32.0	(11.1)	27.3	(27.2)		2.3			0.8
Threadneedle Latin America	280.7	36.9	(9.8)	23.5	(28.5)		1.7			0.1
Average	317.7	38.6	(7.7)	33.4	(17.4)		1.7			0.7

Source: Morningstar, Edison Investment Research. Note: *Performance as at 23 April 2021 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.

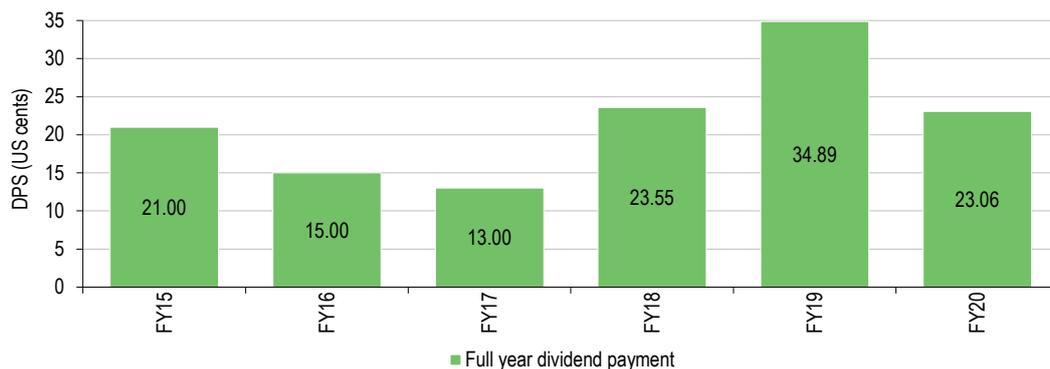
Dividends

BRLA historically paid semi-annual dividends based on the fund's level of income. However, aiming to narrow the trust's discount by making it more attractive to income-orientated investors, the board introduced a new dividend policy with effect from July 2018. Regular quarterly dividends equivalent to 1.25% of US dollar NAV at the end of each calendar quarter are paid in May, August, November

and February; these can be paid out of income or capital, ensuring the managers are not forced to seek a higher portfolio yield, which may be detrimental to BRLA's capital growth.

In FY20, the trust's revenue was \$14.86 per share, which was a 17.9% decline versus \$18.10 per share in FY19 due to lower distributions from portfolio companies as a result of the coronavirus. BRLA's FY20 annual dividend of 23.06 cents per share was 33.9% lower year-on-year. At the end of the period the trust had \$3.0m of revenue reserves (equivalent to one quarterly payment of 7.45 cents per share) along with \$206.0m in distributable capital reserves. Based on its current share price, BRLA offers an attractive 4.8% dividend yield.

Exhibit 10: Dividend history since FY15

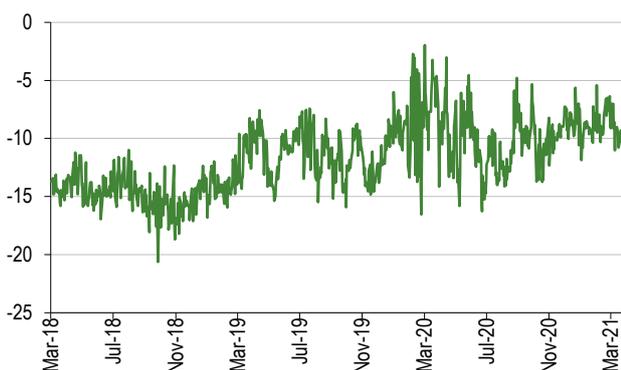


Source: Bloomberg, Edison Investment Research

Discount: Narrower following new dividend policy

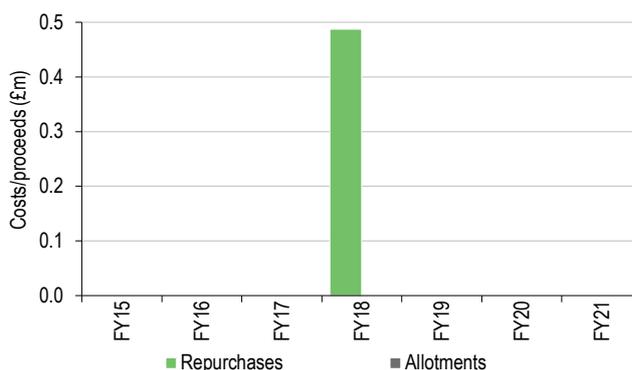
BRLA's current 9.7% share price discount to cum-income NAV compares with the 2.0% (a five-year low) to 16.6% range of discounts over the last 12 months. It compares with the 9.7%, 11.7%, 12.4% and 10.8% average discounts over the last one, three, five and 10 years. The trust's valuation has generally been in a narrowing trend since the introduction of its new dividend policy in July 2018 (based on 1.25% of quarter-end NAV rather than the level of income).

Exhibit 11: Discount over three years



Source: Refinitiv, Edison Investment Research

Exhibit 12: Buybacks and issuance



Source: Morningstar, Edison Investment Research

The board employs a discount control mechanism aiming to reduce BRLA's discount volatility, favouring a conditional tender offer rather than share repurchases. Subject to the biennial continuation vote in 2022 being passed, a 24.99% tender will be triggered if the trust underperforms its 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 NAV outperformance versus the benchmark on a US dollar basis for the 36 months from 1 January 2018 to 31 December 2020 was 0.34% pa and BRLA's cum-income discount averaged 12.2% over this period. Hence, a tender offer will be triggered if the annualised NAV performance relative to the benchmark and the average discount for the three years to 31 December 2020 remain unchanged over the year to 31 December 2021.

Fund profile: Diverse Latin American equity portfolio

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 in US dollars, and its NAV is quoted in both US dollars and sterling. Since 24 December 2018, BRLA has been co-managed by Sam Vecht (a managing director in BlackRock's global emerging markets equities team) and Ed Kuczma (a director in its global Latin America equity team). They aim to generate long-term capital growth and an attractive total return from a diversified portfolio of companies whose shares are listed in, or whose main operations are in, Latin America. The trust's performance is benchmarked against the MSCI Emerging Markets Latin America Index. In order to mitigate risk, there are a series of investment limits in place. BRLA's exposures to Brazil, Mexico, Chile, Argentina, Peru, Colombia and Venezuela may deviate from those of the benchmark by a maximum plus or minus 20pp, while other countries are plus or minus 10pp. Up to 15% of the portfolio, at the time of investment, may be in a single company; the fund may not hold more than 15% of a company's market capitalisation; 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 managers can employ net gearing of up to 25% of NAV (in normal market conditions) with the aim of enhancing returns. BRLA's board considers 5% gearing as a neutral level over the longer term, and borrowing is utilised actively in a range of 5% net cash to 15% geared (at the time of drawdown). At end-March 2021, the trust had net gearing of 8.9%.

Investment process: Bottom-up stock selection

While taking the macro environment into account (focusing on four Cs – consumption, commodities, credit and currencies), stocks are selected on a bottom-up basis, following thorough analysis. The managers seek companies that have positive fundamentals in terms of good long-term earnings growth and cash flow generation, robust balance sheets and well-regarded management teams, and which are trading on reasonable valuations. An assessment of a company's ESG credentials is now an important element of every investment decision (see section below). BRLA has a high-conviction portfolio of c 45 positions across the market cap spectrum, broadly split 60:35:5 between large (greater than \$10bn), mid- and small-cap firms respectively. Stocks are selected from an investible universe of c 250 companies compared with c 100 in the MSCI Latin America Index. Portfolio turnover is typically 40–60% pa.

BRLA's approach to ESG

BRLA's board believes in the importance of good ESG behaviours by investee companies. Latin American economies are large global commodity producers and there are concerns about climate change, biodiversity and proportionate and sustainable use of resources. The board considers that there is significant room for improvement in terms of disclosure and adherence to global best practices for many corporates throughout Latin America, and the region lags global peers in terms of ESG best practices. It receives regular reports from the managers on ESG matters and discusses with them when significant engagement is required with investee companies. BlackRock

has extensive resources, which the board and the managers are able to draw upon to understand the ESG risks and opportunities facing companies and industries in BRLA's portfolio. While stocks are not excluded purely for ESG reasons, any issues are considered when the managers weigh up the risk and rewards of investment decisions. The board believes that communication and engagement with portfolio companies can lead to better outcomes for shareholders. During 2020, there were 40 ESG engagements with 17 (out of 43) portfolio companies, which represented 63% of the year-end fund value.

Gearing

BRLA has an overdraft facility for up to \$40m with Bank of New York Mellon, at an annual rate of Libor +1%. Gearing is actively employed with up to 25% of NAV permitted; at end-March 2021, the trust had net gearing of 8.9%. To put this into perspective, the historical range is a net cash position to c 12% geared and during FY20 net gearing averaged 7.7%.

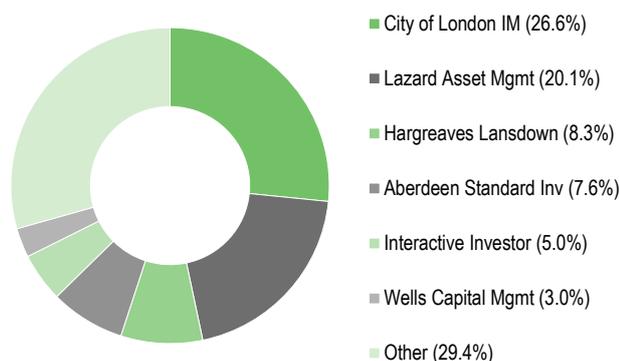
Fees & charges

BlackRock is paid an annual management fee of 0.80% of NAV, charged 75:25 to the capital and income accounts respectively. No performance fee is payable. BRLA's 1.14% FY20 ongoing charge was just 1bp higher than 1.13% in FY19.

Capital structure

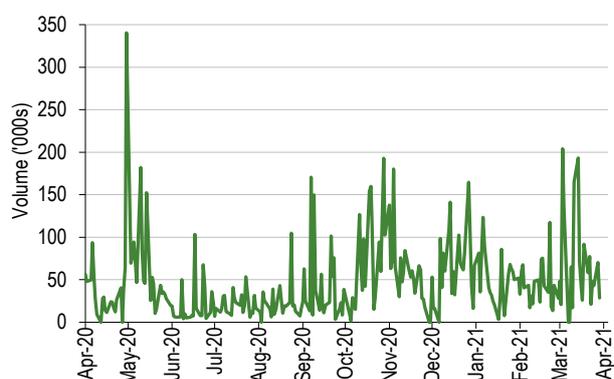
BRLA is a conventional investment trust with one class of share, there are 39.3m ordinary shares in issue and its average trading volume is c 50k shares. The trust is subject to a two-yearly continuation vote; the next is due at the May 2022 AGM.

Exhibit 13: Major shareholders



Source: Bloomberg, as at 31 March 2021.

Exhibit 14: Average daily volume



Source: Refinitiv. Note 12 months to 26 April 2021.

The board

Exhibit 15: BRLA's board of directors

Board member	Date of appointment	Remuneration in FY20	Shareholdings at end-FY20
Carolyn Dobson (chairman since 2 March 2017)	1 January 2016	£47,800	4,792
Mahrukh Doctor	17 November 2009	£34,600	686
Nigel Webber	1 April 2017	£32,600	5,000
Craig Cleland	1 January 2019	£36,700	5,000
Laurie Meister	1 February 2020	£27,241	Nil

Source: BRLA

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