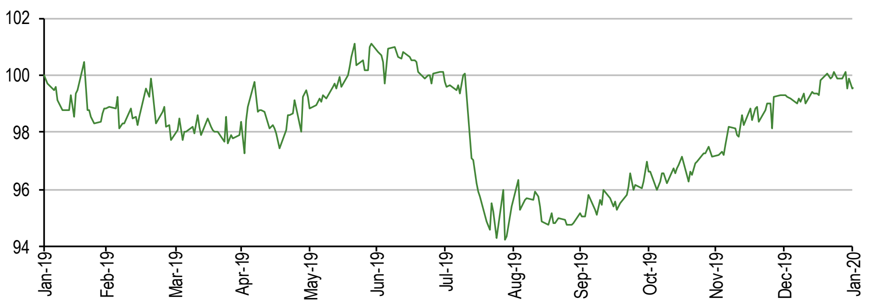
BlackRock Latin American IT

Celebrating its 30-year anniversary

Investment trusts
Latin American equities

BlackRock Latin American Investment Trust (BRLA) has been managed by Sam Vecht and Ed Kuczma since late December 2018. They have created a more concentrated portfolio comprising their highest-conviction ideas in the region. The managers are employing gearing in a more tactical way, which they report has proved successful in both up and down markets, and they have been more active in adding to and trimming positions when deemed appropriate. As a result of the changes made, BRLA now has higher stock-specific risk, but lower country and sector risk. The managers say the success of the strategy was evidenced in the trust's strong relative performance in Q419. They are constructive on the prospects for Latin America in 2020 based on an expectation of higher economic growth, low interest rates and the potential for a weaker US dollar.

NAV versus the benchmark over the last 12 months – performance has recovered since the Argentinian market sell-off in August 2019



Source: Refinitiv, Edison Investment Research

The market opportunity

While volatility can be a feature of the Latin American market, there are reasons for optimism. Brazilian economic growth is expected to increase from subdued levels in 2019, supported by low interest rates, benign inflation and a major programme of government reforms. In addition, valuations in the region remain relatively attractive compared with the world market.

Why consider investing in BRLA?

- More concentrated fund based on the managers' highest-conviction ideas.
- More tactical use of gearing.
- Higher dividend payments, based on 1.25% of quarter-end $ NAV; the trust currently offers a 6.0% dividend yield.
- Medium- and long-term outperformance versus the benchmark.

Scope for a tighter discount

BRLA's valuation has improved in recent months, and the current 8.8% share price discount to cum-income NAV compares with the 11.6%, 13.1% and 12.9% average discounts over the last one, three and five years respectively. There is scope for the valuation to continue to improve given the change in the trust's managers and the move to a higher distribution policy.

26 February 2020

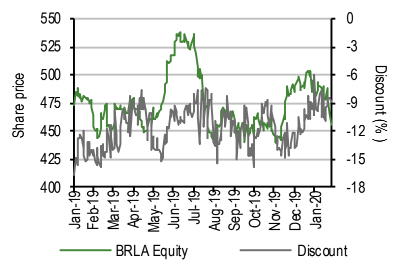
Price	**455.0p**
Market cap	**£178m**
AUM	**£215m**

NAV*	497.8p
Discount to NAV	8.6%
NAV**	498.9p
Discount to NAV	8.8%

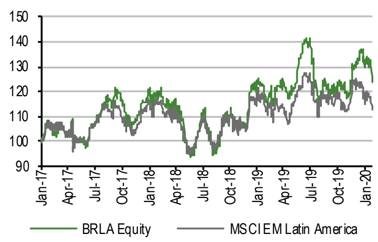
*Excluding income. **Including income. As at 25 February 2020.

Yield	6.0%
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	438.5p
NAV** high/low	606.0p	483.0p

**Including income.

Gearing

Net cash*	0.7%

*As at 31 January 2020.

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.

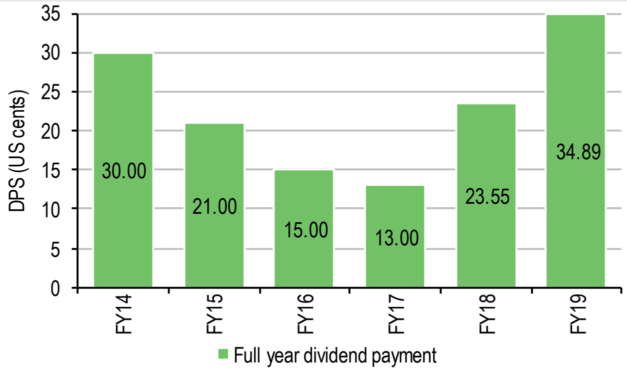
Recent developments

- 9 January 2020: Announcement of the appointment of Laurie Meister as a non-executive director with effect from 1 February 2020.
- 2 January 2020: Announcement of fourth quarterly dividend of 9.15c/share.
- 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.

Forthcoming		Capital structure		Fund details	
AGM	May 2020	Ongoing charges	1.03%	Group	BlackRock Fund Managers
Final results	March 2020	Net cash	0.7%	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

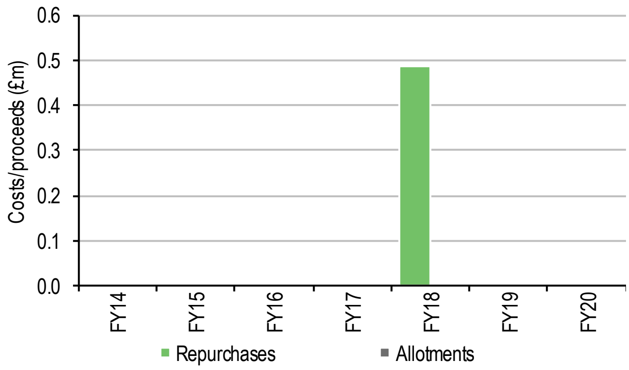
Dividend policy and history (financial years)

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

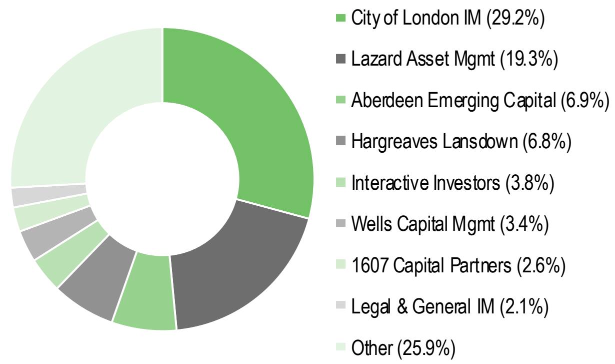


Share buyback policy and history (financial years)

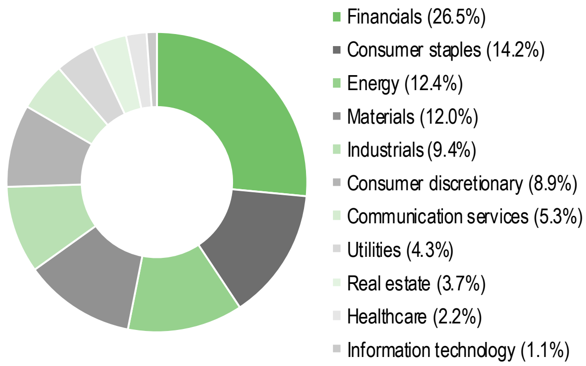
Renewed annually, BRLA is authorised both to repurchase up to 14.99% of its ordinary shares and to allot shares up to 5% of the issued share capital.



Shareholder base (as at 31 January 2020)



Portfolio exposure by sector (as at 31 January 2020)



Top 10 holdings (as at 31 January 2020)

			Portfolio weight %			
Company	**Country**	**Sector**	**31 January 2020**	**31 January 2019***	**Benchmark weight**	**Active weight vs benchmark**
Petrobras	Brazil	Energy	9.1	9.6	7.4	1.7
Itaú Unibanco	Brazil	Banks	7.0	9.1	5.6	1.4
Banco Bradesco	Brazil	Banks	5.5	8.6	6.0	(0.5)
America Movil	Mexico	Telecommunication services	5.3	4.7	4.2	1.1
Banco do Brasil	Brazil	Banks	4.3	N/A	1.5	2.8
Vale	Brazil	Materials	3.9	6.8	5.6	(1.7)
Walmart de México y Centroamérica	Mexico	General retailing	3.7	N/A	2.3	1.4
Femsa	Mexico	Food, beverages & tobacco	3.6	3.5	2.6	1.0
Grupo Financiero Banorte	Mexico	Banks	3.5	3.1	2.4	1.1
Cemex	Mexico	Materials	2.9	N/A	0.9	2.0
Top 10 (% of portfolio)			**48.8**	**55.3**		

Source: BlackRock Latin American Investment Trust, Edison Investment Research, Morningstar. Note: *N/A where not in end-January 2019 top 10.

Market outlook: Anticipation of higher growth in Brazil

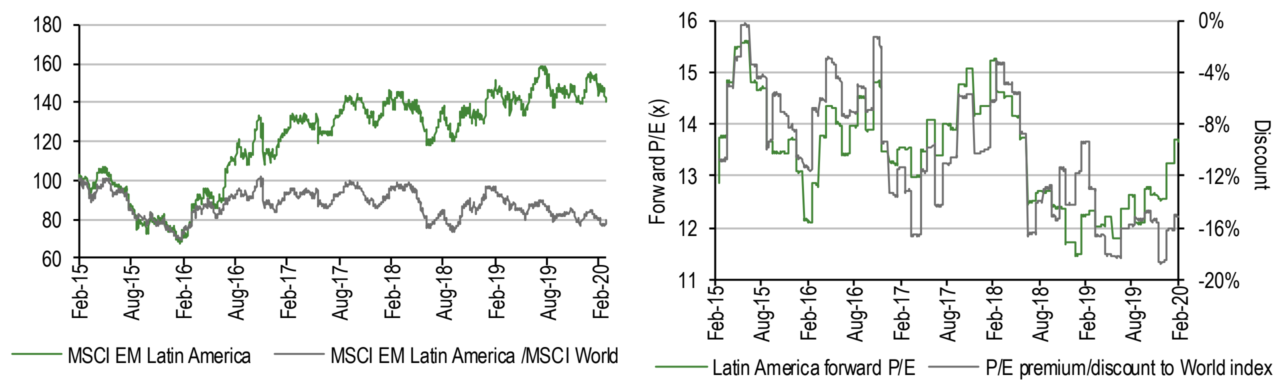
While the Latin American equity market has not kept pace with the global market over the last five years and can be volatile at times (Exhibit 2, LHS), there are reasons for optimism. Brazil is by far the largest economy in the region, and although growth disappointed in 2019, there is potential for increased economic activity in 2020. Interest rates have come down significantly in recent years; the Selic (central bank target rate) is now at 4.25%, down from 14.25% in 2016, and inflation is under control. The Brazilian government is also undertaking a broader programme of reforms, following the approval of pension reform in October 2019, which should lead to significant cost savings in the country.

Global markets have experienced volatility so far in 2020 due to the outbreak of the coronavirus (COVID-19). While this will undoubtedly have a negative impact on global growth, Latin American economies that are net exporters to China should be somewhat insulated, as their Chinese exports as a percentage of GDP is relatively low.

Latin American equities continue to be attractively valued compared to the world market. The Datastream Latin America Index is trading on a forward earnings multiple of 13.2x, which is a 18.1% discount to global equities, wider than the 10.2% average discount over the last five years. The potential for higher economic growth and relatively attractive valuations in Latin America may interest global investors seeking to diversify their exposure away from more expensive developed markets such as the US or Europe.

Exhibit 2: Market performance and valuation

Latin America index performance (last five years, in £ terms) | **Datastream Latin America index forward and relative P/E (last five years)**



Source: Refinitiv, Edison Investment Research. Note: At 25 February 2020.

Fund profile: Latin America equity specialist

BRLA was launched in July 1990 and 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. Co-managers Sam Vecht and Ed Kuczma were appointed on 24 December 2018, following the departure of former manager Will Landers. Vecht is a managing director in BlackRock's global emerging markets equities team and Kuczma is 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.

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 (other countries are 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. Net gearing of up to 25% of NAV is permitted in normal market conditions with the aim of enhancing returns. BRLA's board considers 5% of NAV as a neutral level of gearing 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-January 2020, the trust held a 0.7% net cash position.

The fund managers: Ed Kuczma and Sam Vecht

The manager's view: Optimistic outlook for 2020

We met with Kuczma, who is very optimistic about the prospects for Latin America in 2020. Notwithstanding near-term uncertainty following the COVID-19 outbreak, he expects economic growth to improve from a somewhat disappointing 2019. Low interest rates are supportive for equity prices and Latin American currencies are depressed compared with the US dollar; a weaker dollar could be a positive driver for stock markets in the region.

Focusing on the individual Latin American countries where BRLA is invested, the manager says that in Chile, 2019 ended on a sour note due to social unrest, which is borne of the disparity in income levels. The political and corporate elite were receiving favourable tax rates and subsidies and the middle class said 'enough is enough', leading to protests and damage to infrastructure. The government announced fiscal reforms, including increasing taxes for the wealthy; however, Kuczma suggests that rewriting the constitution is like opening Pandora's box, as it will lead to much uncertainty in terms of business confidence and growth, which could take a couple of years to work through; he believes this is not fully priced in to the market. BRLA's performance has benefited from an underweight exposure to Chile. The manager says that valuations in the country were already relatively high, and with lowered growth expectations, despite the market sell-off, multiples are now even more elevated.

BRLA has benefited from its overweight exposure to Mexico. There is policy uncertainty regarding the government's aspirations for growth against a fiscally conservative budget and hawkish monetary policy. However, Kuczma comments that Mexico has one of the highest real interest rates in the world, which provides the central bank with the potential to reduce the cost of borrowing and stimulate the economy. He notes that equity valuations in Mexico are very attractive compared with historical averages, and the market is under-owned. The manager suggests there could be positive surprises in the country; there is a national infrastructure development programme, which should stimulate growth, and the minimum wage is increasing by 20%, which should boost consumption and help ward off social disruption. President Obrador has high approval ratings, which is beneficial for consumer confidence, while the revised US, Canada and Mexico trade agreement could lead to higher levels of US foreign investment in Mexico.

Kuczma also highlights BRLA's exposure to Brazil. The stock market had a strong run late in 2019, and the manager says that this momentum has continued into this year, so he is taking profits in stocks that have exceeded their price targets. However, he argues that higher-than-average equity valuations in the country are somewhat justified, as government reforms have led to lower country risk (measured by lower prices for credit default swaps) and interest rates have declined dramatically in recent years, which is supportive for future economic growth. The manager's initial read on the Q419 earnings season in Brazil is positive, helped by lower interest rates; as an example, there has been an acceleration in the top-line growth of the retail and other consumer discretionary sectors. Companies that took advantage of the downturn in Brazil in mid-2014 to 2016 to rationalise their cost bases are now benefiting from operating leverage as growth resumes.

Kuczma has become more bullish on the prospects for Colombia; he notes resilient economic growth in 2019, which he expects to continue in 2020, driven by domestic consumption, while interest rates should remain stable as inflation is within the central bank's target range. BRLA has an underweight exposure to Peru, due to political instability and depressed private investment. While there is a lot of uncertainty in Argentina, which is renegotiating its debt package with the International Monetary Fund, the manager suggests the speed and success of this process will dictate the direction of the stock market. BRLA has an overweight exposure to the country as Kuczma has found attractive investment opportunities in the commodity space, including Ternium (a steel manufacturer with significant operations in Mexico) and YPF (a major energy company).

Asset allocation

Investment process: Bottom-up stock selection

Vecht and Kuczma select stocks following thorough fundamental research. They seek companies with a quality management team; positive fundamentals in terms of good long-term earnings growth, strong cash flow generation and a robust balance sheet; and an attractive valuation. The managers say that a consideration of a company's environmental, social and governance (ESG) credentials is an important element of the research process, and has led to improved stock selection in the fund.

Since taking over management of the trust, Vecht and Kuczma have adopted a higher-conviction, more concentrated approach, with a more tactical use of gearing. The number of holdings has reduced from c 55 to c 40, yet the concentration in the top 10 holdings has also been coming down, as the managers have been increasing the weighting of some of the smaller positions in the fund. They invest across the market cap spectrum, with an investible universe of c 250 names compared with c 110 in the benchmark. Around 70% of the portfolio is held in companies with market caps greater than $10bn, but BRLA has a higher small/mid-cap weighting versus the benchmark MSCI Emerging Markets Latin America Index. Portfolio turnover in 2019 was higher than the typical 40-60% pa as the managers repositioned the fund into their high-conviction ideas.

In terms of the macro backdrop, the managers take four 'Cs' into consideration:

- Consumption – Kuczma remains constructive on the outlook for Brazil as record-low interest rates and subdued inflation should lead to higher disposable incomes. He is also anticipating higher consumption in Mexico due to robust consumer confidence.
- Commodities – due to the negative demand impacts of the COVID-19 virus, BRLA's commodity exposure has been reduced, particularly in areas exposed to China such as copper and iron ore.
- Credit – the manager comments that banks are attractively valued, and as the Latin American economy accelerates, there should be an acceleration in loan growth.
- Currencies – Kuczma is positive on the outlook for the Brazilian real and expects foreign capital inflows into the country.

While stocks are selected on a bottom-up basis, there are a number of themes in the portfolio:

Structural growth – these businesses can thrive throughout the economic cycle. Examples include e-commerce, which is underpenetrated in Latin America versus developed markets; healthcare, where demand is rising, helped by the expanding middle class; and a structural shift towards convenience stores.

State-owned entities (SOE) improvement – portfolio holdings include Banco do Brasil, Electrobras and Petrobras. Their managements now have a greater focus on profit and the rights of minority investors, which offers the potential for higher valuations over time.

Operating leverage beneficiaries – during the last recession in Brazil, companies took the opportunity to right-size their cost bases, so an upturn in sales could lead to a significant improvement in earnings, such as in the airlines, beverage and house building sectors.

Bond proxies with attractive valuations – as interest rates have come down, long-duration assets have been re-rated. The managers focus on companies that continue to have attractive valuations and generate predictable cash flows, such as in the airport, railroads and utilities sectors.

Current portfolio positioning

At end-January 2020, BRLA's top 10 positions made up 48.8% of the portfolio, which was a lower concentration compared with 55.3% a year earlier; seven positions were common to both periods. Over this time, the trust's largest changes in geographic exposure were a 4.6pp increase in Mexico, a 4.3pp increase in Colombia and a 9.5pp decrease in Brazil. BRLA's meaningful deviations versus the benchmark at end-January 2020 were overweight exposures to Mexico (+4.8pp) and Argentina (+2.8pp) with an underweight to Chile (-5.4pp).

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

	Portfolio end-Jan 2020	Portfolio end-Jan 2019	Change (pp)	Index weight	Active weight vs index (pp)	Trust weight/ index weight (x)
Brazil	63.6	73.1	(9.5)	64.6	(1.0)	1.0
Mexico	26.3	21.7	4.6	21.5	4.8	1.2
Colombia	4.3	0.0	4.3	3.2	1.1	1.3
Argentina	4.2	2.1	2.1	1.4	2.8	3.0
Chile	0.9	3.1	(2.2)	6.3	(5.4)	0.1
Peru	0.7	0.0	0.7	3.0	(2.3)	0.2
	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 sectors, the largest changes were a higher weighting in real estate (+3.3pp), with lower exposures to financials and materials (both -4.6pp). There is a notable underweight in the financials sector (-4.8pp versus the benchmark).

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

	Portfolio end-Jan 2020	Portfolio end-Jan 2019	Change (pp)	Index weight	Active weight vs index (pp)	Trust weight/ index weight (x)
Financials	26.5	31.1	(4.6)	31.3	(4.8)	0.8
Consumer staples	14.2	12.4	1.8	15.1	(0.9)	0.9
Energy	12.4	10.2	2.2	9.9	2.5	1.3
Materials	12.0	16.6	(4.6)	13.0	(1.0)	0.9
Industrials	9.4	7.3	2.1	6.9	2.5	1.4
Consumer discretionary	8.9	9.1	(0.2)	6.4	2.5	1.4
Communication services	5.3	6.9	(1.6)	6.9	(1.6)	0.8
Utilities	4.3	2.9	1.4	5.9	(1.6)	0.7
Real estate	3.7	0.4	3.3	1.6	2.1	2.3
Healthcare	2.2	1.1	1.1	2.1	0.1	1.0
Information technology	1.1	2.0	(0.9)	0.9	0.2	1.2
	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.

Lojas Americanas has been added to the fund. It is a Brazilian retailer offering a very wide assortment including consumer electronics and fast-moving consumer goods. The manager suggests the company is a best-in-class operator, which will benefit from higher consumption and growth in its online operations. Lojas Americanas has a wide store network that supports the logistics for its e-commerce business. Two other new positions in the portfolio are Gol Airlines and Walmart de México y Centroamérica (Walmex). Gol operates in Brazil; the bankruptcy of a competitor has led to an increase in available capacity and a more rational pricing environment. Walmex benefits from stable demand and a high and growing market share, helped by good execution of its business strategy, optimisation of its cost base and continued investment in every-day low pricing.

Kuczma highlights a successful switch within the fund in the mining sector, with the proceeds from the sale of Antofagasta (Chile) being reinvested in Southern Copper (Peru). Recent sales within the fund include Enel Chile (an electric utility that had reached the manager's price target; he also anticipates higher corporate taxes), Gerdau (a steel company that is under margin pressure), and Qualicorp (a healthcare services provider, whose share price had appreciated meaningfully).

Performance: Recent uptick in relative performance

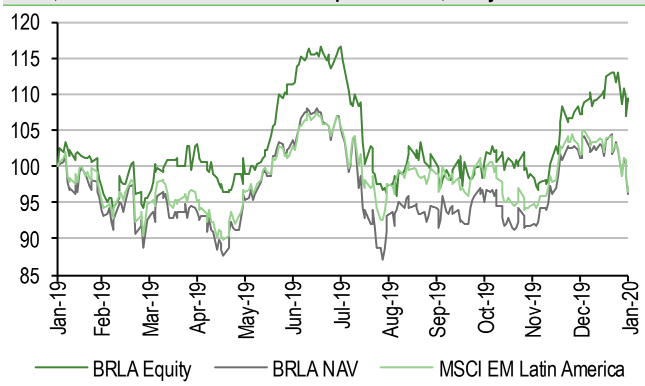
Exhibit 5: Five-year discrete performance data

12 months ending	Share price (%)	NAV (%)	MSCI EM Latin America (%)	CBOE UK All Companies (%)	MSCI World (%)
31/01/16	(29.7)	(25.1)	(25.5)	(5.3)	1.1
31/01/17	67.7	61.9	67.2	20.9	32.8
31/01/18	21.4	17.6	15.5	11.3	11.9
31/01/19	(0.2)	4.8	3.0	(3.9)	1.6
31/01/20	9.4	(3.9)	(3.4)	10.5	18.2

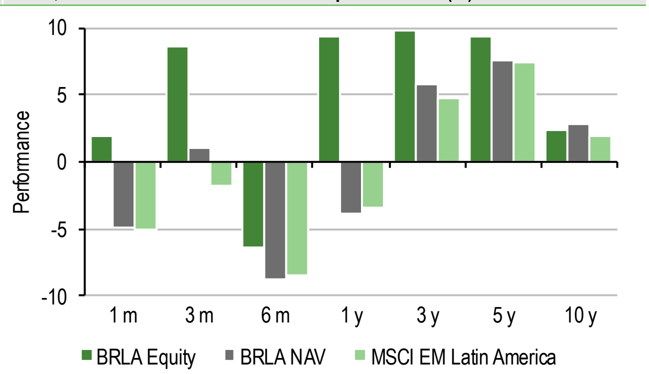
Source: Refinitiv. Note: All % on a total return basis in pounds sterling.

Exhibit 6: Investment trust performance to 31 January 2020

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.

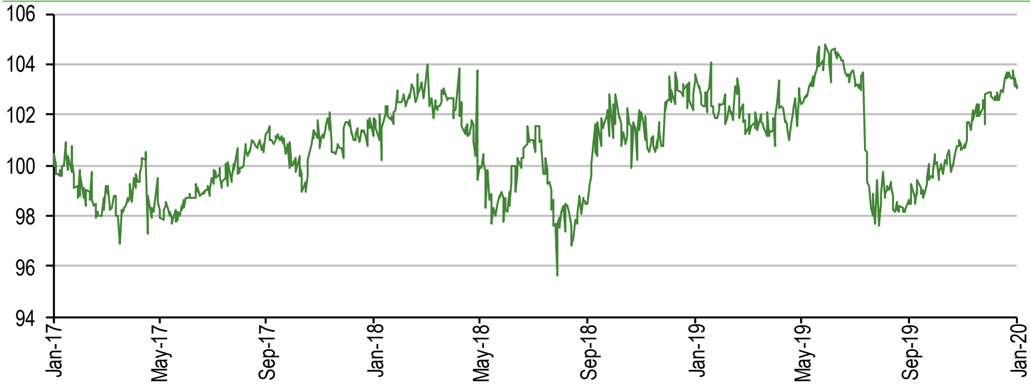
As shown in Exhibit 8, BRLA's relative performance has improved following the Argentinian stock market sell-off in August 2019. The trust benefited in Q419 from its overweight exposure to Brazil including companies such as Qualicorp (health plans) and B2W (e-commerce). BRLA's performance was also enhanced by the tactical use of leverage. Kuczma highlights that the trust has continued to modestly outperform in 2020, with its focus on domestic growth within Latin America, despite stock market volatility because of macro issues including tension between the US and Iran, the US-China trade dispute, and the COVID-19 virus outbreak. BRLA has now outperformed its benchmark over the last three, five and 10 years in both NAV and share price terms, while its share price has also outperformed over the last year, which has led to a higher valuation (see the following Discount section).

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	7.5	10.6	2.4	13.2	15.3	9.1	4.3
NAV relative to MSCI EM Latin America	0.2	3.0	(0.3)	(0.5)	3.1	0.3	7.8
Price relative to CBOE UK All Companies	5.6	6.7	(6.1)	(1.0)	12.1	15.5	(42.5)
NAV relative to CBOE UK All Companies	(1.5)	(0.6)	(8.5)	(13.0)	0.2	6.2	(40.5)
Price relative to MSCI World	2.0	5.0	(6.8)	(7.5)	(1.4)	(13.4)	(61.5)
NAV relative to MSCI World	(4.8)	(2.3)	(9.2)	(18.6)	(11.9)	(20.4)	(60.2)

Source: Refinitiv, Edison Investment Research. Note: Data to end-January 2020. Geometric calculation.

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



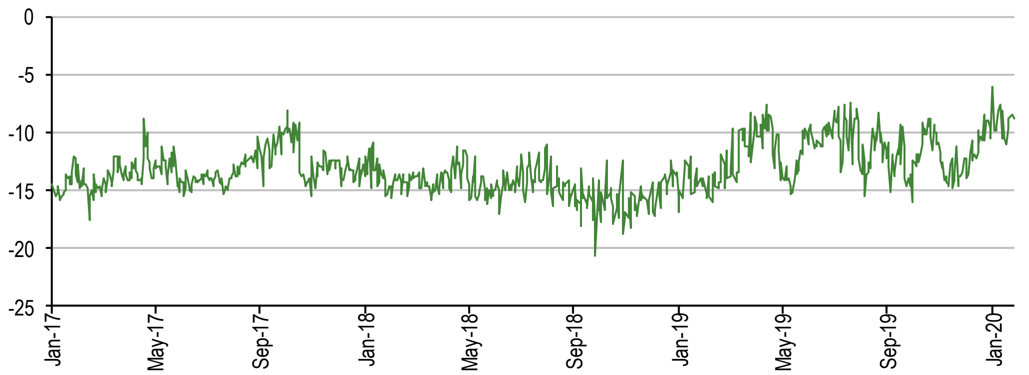
Source: Refinitiv, Edison Investment Research

Discount: In a narrowing trend

BRLA's discount has narrowed meaningfully in recent months, which Kuczma suggests may be due to increased marketing of the trust in H219. He says the messages he is receiving from investors are that they appreciate BRLA's more concentrated portfolio and the managers' high-conviction approach, along with the tactical use of gearing; he is hopeful the trust's valuation can continue to improve. The current 8.8% share price discount to cum-income NAV compares with the 6.0% to 16.8% range of discounts over the last 12 months and the decade-high 20.6% discount in late October 2018. It is narrower than the 11.6% to 13.1% range of average discounts over the last one, three and five years.

The board employs a discount control mechanism aiming to reduce BRLA's discount volatility. Subject to the biennial continuation votes in 2020 and 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.

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. It has an overdraft facility for up to $40m with Bank of New York Mellon, at an annual rate of Libor +1%. Gearing is permitted up to 25% of NAV; at end-January 2020 there was a 0.7% net cash position, versus a historical range of modest net cash to c 12% geared. The managers are strategically adjusting BRLA's level of gearing to take advantage of market volatility; for example, in July 2019 it was at the higher end of the historical range, but is now ungeared given the uncertainty brought about by the COVID-19 epidemic and higher equity valuations in Brazil.

BlackRock is paid an annual management fee of 0.80% of NAV (charged 75:25 to the capital and income accounts respectively). There is no performance fee. The latest available ongoing charge is 1.03% in FY18 (8bp lower year-on-year).

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

Dividend policy and record

BRLA's board introduced a new dividend policy effective from July 2018, aiming to narrow the trust's discount by making it more attractive to income-orientated investors. A regular quarterly dividend is paid in May, August, November and February, out of income and/or capital, equivalent to 1.25% of US dollar NAV at the end of each calendar quarter (previously semi-annual dividends were paid based on the fund's level of income). The ability to pay dividends out of capital ensures that the managers are not forced to seek a higher portfolio yield, which may detract from capital growth. The declared FY19 dividend of 34.89c per share is 48.2% higher year-on-year, but FY18 was a transition year with just three, rather than four, interim dividends paid. Based on its current share price, BRLA offers a 6.0% dividend yield.

Peer group comparison

There are just two funds in the AIC Latin America sector, of which BRLA is the largest (the companies are not directly comparable as c 40% of Aberdeen Latin American Income Fund's portfolio is invested in government bonds). BRLA's NAV total returns rank first over three and five years, while lagging over the last 12 months. It is trading on a narrower discount, has a more competitive ongoing charge and is currently ungeared, unlike its peer. BRLA's dividend yield of 5.7% is the highest of the two funds.

Exhibit 10: Selected peer group as at 21 February 2020*

% 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	188.1	1.2	16.4	51.9	18.0	(8.5)	1.0	No	100	5.7
Aberdeen Latin American Income	40.4	6.8	12.4	45.5		(12.3)	2.0	No	112	5.0
Average	**114.2**	**4.0**	**14.4**	**48.7**	**18.0**	**(10.4)**	**1.5**		**106**	**5.3**
BRLA rank	**1**	**2**	**1**	**1**	**1**	**1**	**2**		**2**	**1**
Open-ended funds							**TER**			
ASI Latin American Equity	125.4	5.0	16.0	55.9			1.6			1.1
Fidelity Latin America	666.9	2.8	14.5	49.2	22.4		1.1			0.0
Schroder ISF Latin American	144.9	5.2	18.7	46.9	6.0		1.9			3.0
Templeton Latin America	670.2	5.2	14.0	44.9	(0.0)		2.3			1.2
Threadneedle Latin America	389.0	4.0	9.2	28.1	(0.8)		1.7			1.2
Average	**399.3**	**4.4**	**14.5**	**45.0**	**6.9**		**1.7**			**1.3**

Source: Morningstar, Edison Investment Research. Note: *Performance as at 20 February 2020 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.

In Exhibit 10, we also include a selection of open-ended funds that invest in Latin America, to enable a broader comparison. BRLA's NAV total returns are above the average of the open-ended funds over three, five and 10 years, while lagging over the last year.

The board

There are five directors on BRLA's board, all of whom are non-executive and independent of the manager. The chairman is Carolan Dobson (appointed on 1 January 2016, chair since 2 March 2017). Mahrukh Doctor was appointed on 17 November 2009, Nigel Webber on 1 April 2017, and Craig Cleland on 1 January 2019.

The newest director is Laurie Meister, who joined the board on 1 February 2020. She is also a member of BRLA's audit, nomination, management engagement and remuneration committees. Meister has more than 30 years of experience working in financial markets, the majority of which were in Latin American and other emerging markets, both in New York and London. Her employers included Deutsche Bank, J.P. Morgan Chase and Robert Fleming. Meister was the senior broker advising the BRLA board when the company listed on the London Stock Exchange in July 1990, nearly 30 years ago.

Frankfurt +49 (0)69 78 8076 960	London +44 (0)20 3077 5700	New York +1 646 653 7026	Sydney +61 (0)2 8249 8342
Schumannstrasse 34b	280 High Holborn	1,185 Avenue of the Americas	Level 4, Office 1205
60325 Frankfurt	London, WC1V 7EE	3rd Floor, New York, NY 10036	95 Pitt Street, Sydney
Germany	United Kingdom	United States of America	NSW 2000, Australia