

BLACKROCK ADVANTAGE INTERNATIONAL EQUITY FUND

BLACKROCK®

FUND UPDATE

30 November 2020

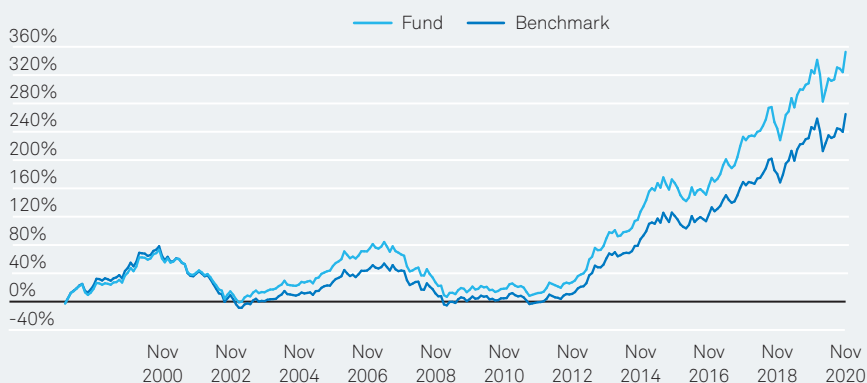
Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Scientific International Alpha Tilts Fund ¹ (Gross of Fees)	6.76	5.11	7.20	6.07	10.76	11.06	8.21
MSCI World ex Australia Index (unhedged in AUD)	7.43	5.89	6.26	5.35	10.71	10.54	7.66
Outperformance (Gross of Fees)	-0.67	-0.78	0.94	0.72	0.05	0.51	0.55
BlackRock Advantage International Equity Fund ² (Net of Fees)	6.73	4.99	6.72	5.55	10.03	10.23	5.93
MSCI World ex Australia Index (unhedged in AUD)	7.43	5.89	6.26	5.35	10.71	10.54	5.81
Outperformance (Net of Fees)	-0.70	-0.90	0.46	0.20	-0.68	-0.31	0.12
BlackRock Scientific Hedged International Alpha Tilts Fund ³ (Gross of Fees)	10.88	4.02	7.49	9.72	8.07	10.55	9.35
MSCI World ex Australia Index (hedged in AUD)	11.56	4.83	6.88	9.35	8.20	10.19	9.07
Outperformance (Gross of Fees)	-0.68	-0.81	0.60	0.37	-0.13	0.36	0.28
BlackRock Advantage Hedged International Equity Fund ⁴ (Net of Fees)	10.84	3.89	6.96	9.14	7.31	9.68	9.96
MSCI World ex Australia Index (hedged in AUD)	11.56	4.83	6.88	9.35	8.20	10.19	10.43
Outperformance (Net of Fees)	-0.72	-0.94	0.08	-0.21	-0.89	-0.51	-0.47

¹ Fund inception: 15/04/2004. ² Fund inception: 31/12/1997. ³ Fund inception: 15/04/2004. ⁴ Fund inception: 04/04/2003.

Past performance is not a reliable indicator of future performance. Performance for periods greater than one year is annualised. Performance is calculated in Australian dollars and assumes reinvestment of distributions. Gross performance is calculated gross of ongoing fees and expenses. Net performance is calculated on exit-to-exit price basis, e.g. net of ongoing fees and expenses. Gross returns are provided for products offered to wholesale clients only who may be subject to differential fees. Please refer to the Fund's product disclosure statement for more information.

Fund Performance (Gross Unhedged) to 30 November 2020



Visit [BlackRock.com.au](https://www.blackrock.com.au) for further information, including:

- Market Insights & Commentary
- Fund Performance
- Unit Prices

Performance Summary

Market Review

The MSCI World Ex Australia Index gained 7.43% in unhedged AUD terms and 11.56% in fully hedged to AUD terms in November.

Global sharemarkets recorded very strong performance in November 2020, with many indices reaching new all-time highs. Lower uncertainty following the US election and announcements by three different drug makers around a breakthrough for an effective COVID-19 vaccine stoked investor optimism. On November 9th, Pfizer announced that its clinical trial has returned preliminary results suggesting that its vaccine is over 90% effective in preventing COVID-19, which was well above expectations. A few days later, Moderna (another drug maker) also reported strong trial results. This was followed by news of a third potential COVID-19 vaccine candidate developed by the company AstraZeneca in partnership with the University of Oxford. All three vaccine announcements were positively received by financial markets, while the Oxford/Astra Zeneca vaccine may be the most impactful as this vaccine is easier to distribute and can be sold at cost. Hopes that mass immunization could bring an end to the global pandemic and speed up the economic recovery propelled sharemarkets higher through November.

Although broad market indices enjoyed stellar performance over the month, there was a lot happening under the surface. The positive vaccine news triggered sharp rotations and major swings in financial markets. Cyclical sectors and industries that had previously suffered relatively weaker performance outperformed significantly in November, while technology stocks underperformed. There were also major rotations in style factors. For example, Value shares (i.e. companies that appear to be trading at inexpensive levels) rallied in November following several months of underperformance. Small-cap stocks also rallied strongly. On the other hand, Momentum stocks (i.e. those that have been trending higher) underperformed significantly, with Momentum experiencing one of the sharpest and deepest drawdowns in history between 9th to 11th November.

In the US, the S&P 500 index gained almost 11% in November reaching new all-time highs along the way. The US presidential election took place in early November, which led to an initial relief rally. A divided government (with Democrats winning the majority in the House of Representatives but Republicans likely to retain majority in the Senate) calmed market fears that a Democratic sweep could bring major tax changes in the US. Market attention quickly moved to the positive vaccine news, which drove financial markets higher and triggered a wave of optimism that a medical solution will address the current health crisis around the world. Yet, the number of COVID-19

cases and hospitalisations in the US continued to climb in November and several US cities, including Chicago and New York, introduced tighter restrictions to mitigate the spread of the virus. Investors focused on the encouraging vaccine news instead and sentiment remained positive throughout the month. Some US corporations released their quarterly earnings in November, which was another event that largely flew under the radar. The technology, health care and communications sectors reported earnings above those seen a year ago before the pandemic – reflecting the ability for some companies to successfully navigate, or even thrive in, this difficult environment. Corporate earnings in the industrial, energy and financial services sectors remained well below levels seen before the pandemic.

European equity markets enjoyed very strong performance over the month, with several indices recording their largest monthly gain ever. The German DAX Index gained 15%, while the French CAC40 Index and UK FTSE 100 Index gained approximately 20% and 13%, respectively. Similar to the US, COVID-19 cases remained high in Europe and the renewed 'lockdown' restrictions were starting to have an effect on economic indicators. For example, restaurant bookings collapsed reflecting the closure of pubs and restaurants in certain regions. Electricity demand and mobility indicators also declined significantly. Yet, investors were clearly looking through these near-term challenges and were quick to price in a broader economic recovery which is expected to take place in 2021.

Asian equity markets also enjoyed very strong performance in November. Positive investor sentiment and increased risk appetite helped drive sharemarkets higher in the region. A strong Chinese economy and a weaker US dollar also helped. Macro data confirmed that China's economy is operating at levels seen before the pandemic and the country is further ahead in the recovery process compared to its Western counterparts. Strong demand for China's exports and healthy domestic spending has been driving the Chinese economy – leading to growth rates well above those seen in other countries. China is the only major economy that is expected to record positive annual economic growth in 2020, according to the latest forecasts by the International Monetary Fund (IMF).

Strategy Commentary

The international stock selection strategy had a strong month in absolute terms; however, it slightly underperformed its strongly performing benchmark. Momentum detracted the most, followed by Sentiment while Quality, Cross Border Thematics and Relative Valuation insights were flat. Geographically, while Europe added, most regions detracted, especially the US and Japan. Industrials (underweights in aerospace and defense) and Information Technology (overweights in semiconductors and software) in the US were the main sources of underperformance. Financials also detracted through underweights in Europe despite the strong gains in US banks (overweights). On the positive, Consumer Discretionary (overweights in specialty retailers) in Europe did well, as did Communications Services, and Energy added in Europe and in the US.

Positive contributors to performance included overweight positions in Wells Fargo and Citigroup.

Wells Fargo – The American financial services company, like its industry peers, saw its share price rally as investors rushed towards value and cyclical names on potential effective vaccine news. The overweight position was a result of favourable Momentum, Sentiment and Cross Border Thematics insights.

Citigroup – The US financial institution benefitted from the lift of the Financials sector after the announcement of the Pfizer vaccine, improving sentiment on the economic outlook. The overweight position was driven by positive Momentum, Sentiment and Cross Border Thematics insights.

Detractors from performance included overweight positions in Equinix and Home Depot.

Equinix – The American internet and data centres multinational's share price dropped as investors sold off Information technology stocks after the vaccine announcement to rush towards value names. The overweight position was driven by generally positive insights, especially Sentiment, Cross-Border Thematics and Momentum insights.

Home Depot – The US home improvement giant reported results that beat market expectations, however the share price slid as investors raised concerns over the sustainability of the company's growth post pandemic. The overweight position was a result of positive Sentiment and Momentum insights.

Top Active Holdings

Overweight	Underweight
3M	MICROSOFT CORP
LOREAL SA	PROCTER & GAMBLE
MASTERCARD INC CLASS A	VERIZON COMMUNICATIONS INC
TORONTO DOMINION	WALMART INC
VISA INC CLASS A	APPLE INC

Top Holdings

Holding	Weight %
APPLE INC	3.80
AMAZON COM INC	2.71
MICROSOFT CORP	2.52
FACEBOOK CLASS A INC	1.70
VISA INC CLASS A	1.40
MASTERCARD INC CLASS A	1.35
3M	0.98
JOHNSON & JOHNSON	0.98
NVIDIA CORP	0.96
TORONTO DOMINION	0.96

Country Exposure

Country	Weight %
Austria	0.02
Belgium	0.25
Canada	3.18
Denmark	0.90
Finland	0.33
France	4.52
Germany	3.51
Hong Kong	0.00
Ireland	1.26
Israel	0.21
Italy	0.14
Japan	0.45
N/A MSCI Country	8.10
Netherlands	1.27
New Zealand	0.03
Norway	0.62
Portugal	0.14
Singapore	0.32
Spain	1.05
Sweden	1.58
Switzerland	2.71
United Kingdom	3.08
United States	66.34

About the Fund

Investment Objective

The Fund aims to outperform the MSCI World ex Australia Index (unhedged/hedged in Australian dollars with net dividends reinvested) before fees over rolling three-year periods, while maintaining a similar level of risk as its benchmark.

Fund Strategy

The strategy seeks to add value from stock and industry selection, by using our scientific process that uses local and global investment insights or themes to look for mispriced stocks and industries.

The investment themes used as part of our stock-selection process are grouped under: analyst expectations which anticipate changes in investor expectations about earnings; relative value which looks at multiple measures of underlying fundamental value; earnings quality which assesses the quality and sustainability of earnings; and market information which focuses on sentiment factors and information revealed by management decisions. Our industry-selection models alter exposure to industries using insights that focus on fundamental, economic and technical conditions.

Should be considered by investors who ...

- ▶ Seek broad exposure to international shares.
- ▶ Seek a fund that blends well with most other active managers because its risk-controlled strategy of taking small active tilts across a large number of stocks tends to produce smaller, but steadier, excess returns on a greater number of stocks.
- ▶ Have a long term investment horizon.
- ▶ For the hedged version, seek to reduce the impact on A\$ returns on those investments that result from currency exposure.

Fund Details

BlackRock Scientific International Alpha Tilts Fund	
APIR	BGL0047AU
Fund Size	127 mil
Buy/Sell Spread	0.17%/0.17%
Number of Stocks in Fund	738
Number of Stocks in Benchmark	1524
Tracking Error (3 Years p.a.)	1.73%

BlackRock Scientific Hedged International Alpha Tilts Fund	
APIR	BGL0046AU
Buy/Sell Spread	0.18%/0.18%
Fund Size	254 mil

BlackRock Advantage International Equity Fund	
APIR Code	BAR0817AU
Buy/Sell Spread	0.17%/0.17%
Fund Size	654 mil
Management Fee	0.50% p.a.

BlackRock Advantage Hedged International Equity Fund	
APIR Code	BGL0109AU
Fund Size	347 mil
Buy/Sell Spread	0.18%/0.18%
Management Fee	0.53% p.a.

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