

BLACKROCK ADVANTAGE INTERNATIONAL EQUITY FUND

BLACKROCK®

FUND UPDATE

31 July 2022

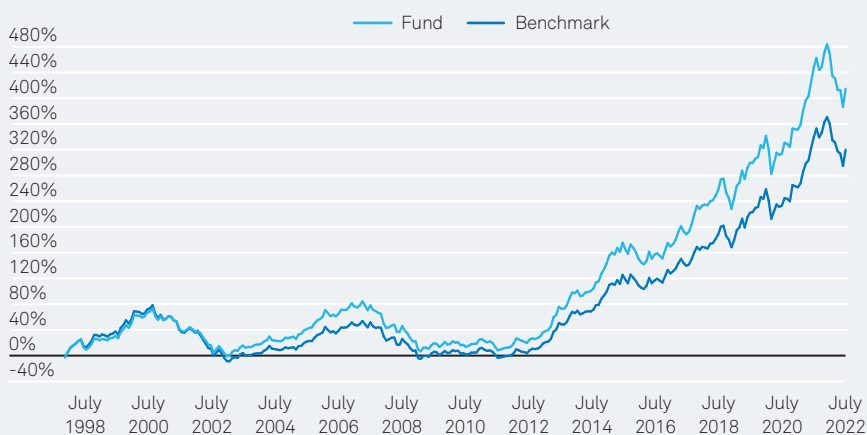
Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Scientific International Alpha Tilts Fund ¹ (Gross of Fees)	5.79	0.41	-11.79	-6.00	8.78	12.23	8.19
MSCI World ex Australia Index (unhedged in AUD)	6.40	0.62	-10.76	-4.39	9.24	11.87	7.76
Outperformance (Gross of Fees)	-0.61	-0.21	-1.03	-1.61	-0.46	0.36	0.43
BlackRock Advantage International Equity Fund ² (Net of Fees)	5.75	0.29	-12.06	-6.47	8.25	11.55	6.03
MSCI World ex Australia Index (unhedged in AUD)	6.40	0.62	-10.76	-4.39	9.24	11.87	6.01
Outperformance (Net of Fees)	-0.65	-0.33	-1.29	-2.08	-0.99	-0.33	0.02
BlackRock Scientific Hedged International Alpha Tilts Fund ³ (Gross of Fees)	7.30	-1.24	-13.97	-8.75	8.08	8.89	9.04
MSCI World ex Australia Index (hedged in AUD)	7.96	-0.98	-12.95	-7.18	8.70	8.66	8.86
Outperformance (Gross of Fees)	-0.66	-0.26	-1.02	-1.56	-0.62	0.23	0.18
BlackRock Advantage Hedged International Equity Fund ⁴ (Net of Fees)	7.26	-1.36	-14.23	-9.22	7.52	8.18	9.56
MSCI World ex Australia Index (hedged in AUD)	7.96	-0.98	-12.95	-7.18	8.70	8.66	10.11
Outperformance (Net of Fees)	-0.70	-0.38	-1.28	-2.04	-1.17	-0.48	-0.55

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 31 July 2022



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- Market Insights & Commentary
- Fund Performance
- Unit Prices

Performance Summary

Market Commentary

The MSCI World Ex Australia Index gained 6.40% in unhedged AUD terms and 7.96% in fully hedged to AUD terms in July 2022.

Risk assets recovered some of their earlier losses in July as markets pared back expectations for monetary tightening amid a deteriorating growth outlook. Global equities, as represented by the MSCI World Index, finished the month up 6.4% in Australian dollar terms, with Developed markets outperforming Emerging market counterparts. Fixed income markets, as represented by the Bloomberg Barclays Global Aggregate Index, were offered some respite from prior months of rising rates, closing the month at +2.5% for the Australian dollar hedged investor.

In the US, the S&P 500 Index increased by 9.2% in July (in local currency terms), outperforming most major markets as positive Q2 corporate earnings surprises provided a boost to risk sentiment. Sectors like IT and Consumer Discretionary outperformed during the month.

The US Federal Reserve (Fed) increased the policy rate by a further 75bps in July, as it sought to anchor inflation expectations amid recent elevated inflation prints. Headline inflation accelerated further in June, rising 9.1% over the year, with gasoline, food and shelter prices contributing to the increase. While the unemployment rate remained at 3.6% for the fourth month in a row, consumer confidence index fell sharply as consumer resiliency was tested by the future prospect of persistent inflation. Q2 GDP added to growth concerns with real GDP growth declining for the second consecutive quarter to print at -0.9% quarter on quarter.

European equity markets, as represented through the Euro Stoxx 50 Index increased by 7.4% in July (in local currency terms) despite ongoing growth concerns. Within the European block, annual flash headline inflation hit an all-time high of 8.9% in July. Rising food and energy prices, alongside growing core inflation readings, have continued to add to concerns that high inflation may become entrenched in the region. High inflation pushed the European Central Bank (ECB) to hike rates for the first time in over a decade, taking the deposit rate out of negative territory.

Meanwhile, the UK equity market increased by 3.7% (in local currency terms), underperforming most major developed markets following prior months of outperformance. The unemployment rate stabilized at 3.8% in the three months through May, though the growth in job vacancies continued to weaken. Consumer confidence remained at a historic low as consumers battled with renewed economic fears and experienced the squeeze from negative real wage growth.

Asian equities were a mixed bag over the month, with Chinese equities slowing and Japanese equities rebounding. China's CSI 300 Index fell by 6.3% in July, following an increase of 10.4% in June. Sentiment was dragged down by concerns around the domestic real estate market and lockdown measures implemented as part of China's zero-COVID strategy. That said, economic data continued to surprise to the upside with industrial production rising and retail sales beating expectations, easing some concerns around global supply chain pressures.

Japanese equities, as represented by the TOPIX Index, rose by 3.7% in July (in local currency terms), as the weaker Japanese Yen helped support manufacturers and exporters. The Bank of Japan (BOJ) continued to maintain its stance of defending its yield target despite core consumer prices rising 2.2% y/y in June, ahead of the BOJ's 2% target.

Strategy Commentary

The strategy underperformed in July, though finished higher as markets gained. Performance was driven by weak results from both the Fundamental and Macro Thematic signal families, with Value signals in particular feeling the pain as a round of strong earnings results from Q2 drove Growth stocks to the lead while Value suffered. In a reversal from the previous quarter, Sentiment signals were muted, detracting slightly for July.

Fundamental signals struggled, particularly Value-oriented signals, which drove unsuccessful overweights to Health Care and Utilities names over the month. In particular, signals observing Book Values and R&D spend relative to market price were among the largest detractors, with long term reversal signals suffering as well. Certain ESG signals performed well, a signal preferring companies better positioned from a water usage position performing strongly—however, ESG signals overall detracted as well, with ESG controversy levels failing to inform positively over the period.

Macro Thematic signals suffered as well, with faster-moving Tactical signals among the largest detractors for the month as the strategy's cautious top-down stance clashed with the market's exuberant tone that prevailed throughout the month—with signals positioning for the impact of rising rates suffering. Additionally, signals positioning the portfolio based on industries most likely to benefit during periods of market stress went against the grain as markets remained optimistic.

Sentiment signals were mixed: although signals using machine learning to extract Sentiment from company conference calls performed well, those gains were offset by losses from signals using machine learning to predict the effect of corporate events.

Top Active Holdings

Overweight	Underweight
MICROSOFT CORP	BROADCOM INC
AGILENT TECHNOLOGIES INC	THERMO FISHER SCIENTIFIC INC
VISA INC CLASS A	ASTRAZENECA PLC
BANK OF AMERICA CORP	WALMART INC
UNION PACIFIC CORP	MCDONALDS CORP

Top Holdings

Holding	Weight %
APPLE INC	5.71
MICROSOFT CORP	4.80
AMAZON COM INC	2.09
ALPHABET INC CLASS A	1.79
ALPHABET INC CLASS C	1.72
JOHNSON & JOHNSON	1.67
VISA INC CLASS A	1.53
JPMORGAN CHASE & CO	1.44
EXXON MOBIL CORP	1.31
BANK OF AMERICA CORP	1.31

Country Exposure

Country	Weight %
Austria	0.19
Belgium	0.17
Canada	3.99
Denmark	1.23
Finland	0.38
France	2.78
Germany	3.29
Greece	0.00
Hong Kong	0.86
Ireland	0.09
Israel	0.68
Italy	0.42
Japan	4.84
Netherlands	1.66
New Zealand	0.00
Norway	0.75
Portugal	0.10
Singapore	0.10
Spain	0.26
Sweden	0.64
Switzerland	2.28
United Kingdom	2.81
US	72.49

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	99 mil
Buy/Sell Spread	0.17%/0.17%
Number of Stocks in Fund	508
Number of Stocks in Benchmark	1457
Tracking Error (3 Years p.a.)	1.46%

BlackRock Scientific Hedged International Alpha Tilts Fund	
APIR	BGL0046AU
Buy/Sell Spread	0.18%/0.18%
Fund Size	206 mil

BlackRock Advantage International Equity Fund	
APIR Code	BAR0817AU
Buy/Sell Spread	0.17%/0.17%
Fund Size	556 mil
Management Fee	0.50% p.a.

BlackRock Advantage Hedged International Equity Fund	
APIR Code	BGL0109AU
Fund Size	284 mil
Buy/Sell Spread	0.18%/0.18%
Management Fee	0.53% p.a.

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