

BLACKROCK ADVANTAGE INTERNATIONAL EQUITY FUND

BLACKROCK®

FUND UPDATE

31 December 2020

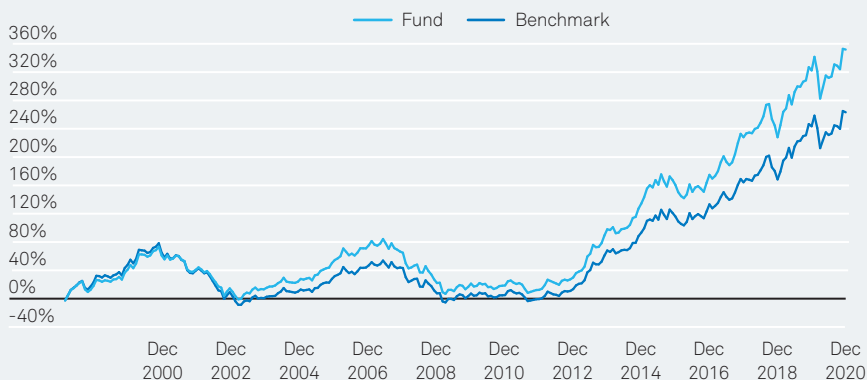
Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Scientific International Alpha Tilts Fund ¹ (Gross of Fees)	-0.23	5.31	6.95	6.95	11.21	11.59	8.16
MSCI World ex Australia Index (unhedged in AUD)	-0.50	5.68	5.73	5.73	11.16	10.94	7.59
Outperformance (Gross of Fees)	0.27	-0.38	1.22	1.22	0.05	0.65	0.57
BlackRock Advantage International Equity Fund ² (Net of Fees)	-0.27	5.18	6.43	6.43	10.49	10.77	5.89
MSCI World ex Australia Index (unhedged in AUD)	-0.50	5.68	5.73	5.73	11.16	10.94	5.77
Outperformance (Net of Fees)	0.23	-0.50	0.70	0.70	-0.67	-0.17	0.13
BlackRock Scientific Hedged International Alpha Tilts Fund ³ (Gross of Fees)	3.72	11.33	11.48	11.48	8.89	11.91	9.54
MSCI World ex Australia Index (hedged in AUD)	3.45	11.73	10.57	10.57	9.02	11.41	9.24
Outperformance (Gross of Fees)	0.27	-0.40	0.92	0.92	-0.13	0.50	0.30
BlackRock Advantage Hedged International Equity Fund ⁴ (Net of Fees)	3.68	11.20	10.90	10.90	8.14	11.03	10.13
MSCI World ex Australia Index (hedged in AUD)	3.45	11.73	10.57	10.57	9.02	11.41	10.59
Outperformance (Net of Fees)	0.23	-0.53	0.33	0.33	-0.88	-0.37	-0.45

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 December 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 5.68% in unhedged AUD terms and 11.73% in fully hedged to AUD terms over the fourth quarter of 2020.

Sharemarkets across the globe enjoyed strong returns in the fourth quarter of 2020, with many indices reaching new all-time highs following a year that contained a global pandemic, record-breaking recession and a contentious US presidential election. Risk appetite improved over the quarter as the US election came to an end and positive COVID-19 vaccine news stoked investor optimism. On November 9th, Pfizer-BioNTech announced that its clinical trial has returned preliminary results suggesting that its vaccine is over 90% effective in preventing COVID-19 (well above expectations). A few days later, another drug maker – Moderna – 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. Within weeks the Pfizer-BioNTech vaccine was approved in Europe and the US – with the vaccine administered to the first patient in the UK on December 8th. Later in December, the US Food and Drug Administration (FDA) authorized the country's second vaccine (Moderna), clearing the way for millions of doses to be released in the US within weeks. Other countries, including Australia, are also planning to approve a COVID-19 vaccine in the weeks ahead triggering hope that mass immunization could bring an end to the global pandemic and speed up the economic recovery.

Although broad market indices enjoyed stellar performance over the quarter, there was a lot happening under the surface. The positive vaccine developments triggered sharp rotations and major swings in financial markets. Cyclical sectors and industries that had previously suffered relatively weaker performance outperformed significantly, while technology stocks underperformed. Small-cap stocks rallied, while the generic Momentum factor (a metric that captures positively trending stocks) experienced one of the sharpest and deepest drawdowns in history in November. Financial markets appeared relatively unfazed by the resurgence in COVID-19 cases in various parts of the world. The higher infections and new more-transmissible variants of the virus prompted more stringent and longer restrictions throughout the world, but investors appeared to look through these near-term challenges.

In the US, the S&P 500 Index gained over 12% over the quarter reaching new all-time highs along the way. The US presidential election took place in early November, which led to an initial relief rally. Market attention quickly moved to the positive vaccine news, which continued

to drive financial markets higher. Yet, the number of COVID-19 cases and hospitalisations in the US increased significantly over the quarter and several US states introduced tighter restrictions to mitigate the spread of the virus. Investors focused on the encouraging vaccine news instead and sentiment remained positive. Economic data was mixed and the recovery in the US economy appeared to be losing some momentum towards year-end amidst the renewed restrictions in activity. In late December, President Donald Trump signed a new \$900 billion fiscal package (including support for the unemployed and direct payments to households) following months of negotiations among lawmakers. This was an important development as the US has tolerated more joblessness than other major economies, even with the previous unprecedented government support.

European equity markets also advanced strongly over the quarter, with the Euro Stoxx 600 Index gaining approximately 11%. 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. The EU has raced to authorize COVID-19 vaccinations, with England leading the way as the first nation to pass the Pfizer-BioNTech vaccine in early December. The UK and EU finally reached a post-Brexit agreement on December 24th setting out rules and guidelines regarding trade and other political measures. The deal predominantly covers the goods-trade between the two sides but also reflects a large change to the status quo and eases some concerns of Brexit-weary investors. The UK FTSE 100 Index gained almost 11% over the quarter, roughly in line with its European peers – but still behind over the year (down 12% in 2020).

Asian equity markets also enjoyed strong performance over the quarter. 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 quarter in absolute terms; however, it slightly underperformed its strongly performing benchmark. Quality and Momentum detracted the most while Cross Border Thematics, Relative Valuation and Sentiment insights were relatively flat. Geographically, while Europe added, most regions detracted, especially the US with poor performance of Momentum insights. Information Technology (overweights in IT services and software) in the US was the main source of underperformance. Financials also detracted through underweights in Europe despite the strong gains in US banks (overweights). Underweights aerospace in Europe and US weighed on Industrials while underweights metal and mining in the UK were on a drag on Materials. On the positive, Communications Services added in the US and in Europe, as did Energy. Consumer Discretionary (overweights in specialty retailers) did well in Japan and also 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 gained, in line with the broader Financials sector, which performed strongly on improved sentiment on the economic outlook after the announcement of the Pfizer vaccine. The overweight position was driven by positive Momentum, Sentiment and Cross Border Thematics insights.

Detractors from performance included overweight positions in Salesforce.com and Equinix.

SalesForce.com – The US cloud-based software company reported results that beat market expectations; however the share price fell after management confirmed a major acquisition and anticipate slower growth for next year. The overweight position was a result of generally positive insights especially Cross Border Thematics and Momentum insights.

Equinix – The American internet and data centres multinational's share price suffered during the market rotation in November. Information Technology stocks were heavily sold off after the announcement of the vaccine as investors turned towards value names. The overweight position was driven by generally positive insights, especially Sentiment, Cross-Border Thematics and Momentum insights.

Top Active Holdings

Overweight	Underweight
3M	PROCTER & GAMBLE
BEIERSDORF AG	JPMORGAN CHASE & CO
BRISTOL MYERS SQUIBB	VERIZON COMMUNICATIONS INC
FAST RETAILING LTD	PFIZER INC
NVIDIA CORP	NOVARTIS AG

Top Holdings

Holding	Weight %
APPLE INC	4.32
MICROSOFT CORP	3.17
AMAZON COM INC	2.74
FACEBOOK CLASS A INC	1.72
NVIDIA CORP	1.36
ALPHABET INC CLASS A	1.16
MASTERCARD INC CLASS A	1.13
NESTLE SA	1.06
VISA INC CLASS A	1.05
BRISTOL MYERS SQUIBB	1.05

Country Exposure

Country	Weight %
Austria	0.03
Belgium	0.25
Canada	2.24
Denmark	1.04
Finland	0.12
France	3.75
Germany	3.55
Greece	0.00
Hong Kong	1.39
Ireland	0.20
Israel	0.49
Italy	0.64
Japan	7.78
Netherlands	1.75
New Zealand	0.03
Norway	0.35
Portugal	0.15
Singapore	0.56
Spain	0.66
Sweden	1.47
Switzerland	2.88
United Kingdom	2.98
United States	67.69

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	125 mil
Buy/Sell Spread	0.17%/0.17%
Number of Stocks in Fund	657
Number of Stocks in Benchmark	1520
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	259 mil

BlackRock Advantage International Equity Fund	
APIR Code	BAR0817AU
Buy/Sell Spread	0.17%/0.17%
Fund Size	656 mil
Management Fee	0.50% p.a.

BlackRock Advantage Hedged International Equity Fund	
APIR Code	BGL0109AU
Fund Size	355 mil
Buy/Sell Spread	0.18%/0.18%
Management Fee	0.53% p.a.

IMPORTANT INFORMATION: Issued by BlackRock Investment Management (Australia) Limited ABN 13 006 165 975, AFSL 230 523 (**BIMAL**). This material is not a financial product recommendation or an offer or solicitation with respect to the purchase or sale of any financial product in any jurisdiction. The material provides general information only and does not take into account your individual objectives, financial situation, needs or circumstances. Before making any investment decision, you should assess whether the material is appropriate for you and obtain financial advice tailored to you having regard to your individual objectives, financial situation, needs and circumstances. BIMAL is the responsible entity and issuer of units in the Australian domiciled managed investment schemes referred to in this material. Any potential investor should consider the latest product disclosure statement, prospectus or other offer document (**Offer Documents**) before deciding whether to acquire, or continue to hold, an investment in any BlackRock fund. Offer Documents can be obtained by contacting the BIMAL Client Services Centre on 1300 366 100. In some instances Offer Documents are also available on the BIMAL website at www.blackrock.com.au. BIMAL, its officers, employees and agents believe that the information in this material and the sources on which it is based (which may be sourced from third parties) are correct as at the date of publication. While every care has been taken in the preparation of this material, no warranty of accuracy or reliability is given and no responsibility for the information is accepted by BIMAL, its officers, employees or agents. Any investment is subject to investment risk, including delays on the payment of withdrawal proceeds and the loss of income or the principal invested. While any forecasts, estimates and opinions in this material are made on a reasonable basis, actual future results and operations may differ materially from the forecasts, estimates and opinions set out in this material. No guarantee as to the repayment of capital or the performance of any product or rate of return referred to in this material is made by BIMAL or any entity in the BlackRock group of companies. No part of this material may be reproduced or distributed in any manner without the prior written permission of BIMAL. © 2020 BlackRock, Inc. All Rights reserved. BLACKROCK, BLACKROCK SOLUTIONS, iSHARES and the stylised i logo are registered and unregistered trademarks of BlackRock, Inc. or its subsidiaries in the United States and elsewhere. All other trademarks are those of their respective owners.

BLACKROCK[®]