

BLACKROCK ADVANTAGE INTERNATIONAL EQUITY FUND

BLACKROCK®

FUND UPDATE

31 October 2020

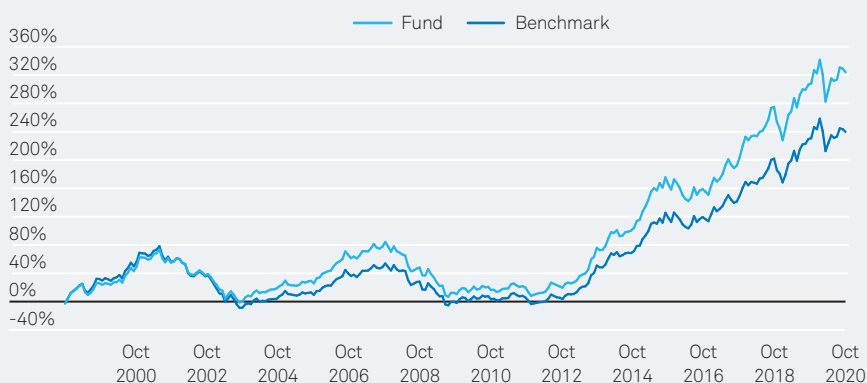
Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Scientific International Alpha Tilts Fund ¹ (Gross of Fees)	-1.13	2.50	0.41	3.87	9.84	9.21	7.83
MSCI World ex Australia Index (unhedged in AUD)	-1.13	1.99	-1.09	2.71	9.25	8.52	7.24
Outperformance (Gross of Fees)	0.00	0.51	1.49	1.16	0.59	0.69	0.59
BlackRock Advantage International Equity Fund ² (Net of Fees)	-1.18	2.37	-0.01	3.35	9.10	8.39	5.65
MSCI World ex Australia Index (unhedged in AUD)	-1.13	1.99	-1.09	2.71	9.25	8.52	5.50
Outperformance (Net of Fees)	-0.05	0.38	1.07	0.65	-0.14	-0.13	0.15
BlackRock Scientific Hedged International Alpha Tilts Fund ³ (Gross of Fees)	-3.19	0.14	-3.06	1.89	5.29	8.51	8.72
MSCI World ex Australia Index (hedged in AUD)	-3.19	-0.25	-4.19	1.12	4.90	7.98	8.40
Outperformance (Gross of Fees)	0.00	0.39	1.13	0.77	0.39	0.53	0.32
BlackRock Advantage Hedged International Equity Fund ⁴ (Net of Fees)	-3.24	0.01	-3.50	1.34	4.54	7.65	9.36
MSCI World ex Australia Index (hedged in AUD)	-3.19	-0.25	-4.19	1.12	4.90	7.98	9.79
Outperformance (Net of Fees)	-0.05	0.26	0.69	0.22	-0.36	-0.33	-0.43

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 October 2020



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- Market Insights & Commentary
- Fund Performance
- Unit Prices

Performance Summary

Market Review

The MSCI World Ex Australia Index declined 1.13% in unhedged AUD terms and 3.19% in fully hedged to AUD terms in October.

Global sharemarkets recorded mixed performance over the month of October. After advancing early in the month, global risk assets declined significantly towards month-end driven by concerns about the re-acceleration of COVID-19 infections in Europe and the United States, alongside growing uncertainty ahead of the US election. The emergent virus outbreaks have prompted renewed public health restrictions across Europe, with several governments announcing new 'stay-at-home' orders. For example, Germany introduced a month-long period of closed restaurants, pubs, gyms and theatres – but other retail and work activity continued, and schools remained open. France, Spain, Italy, Portugal, Austria and the UK also introduced restrictions on business activity to try to halt the rapid resurgence in coronavirus cases. The increased level of restrictions and likely decline in economic activity weighed on investor sentiment.

In the US, the S&P 500 index declined 2.7% in October. In addition to the resurgence in coronavirus cases, uncertainty ahead of the US election and a lack of progress on US stimulus negotiations acted as major headwinds for risk assets. Some good news included a strong third-quarter GDP growth figure, an improving US labour market and better-than-expected consumer spending. The strong third-quarter GDP growth figure was driven by a jump in consumption (which makes up almost 70% of the US economy). Consumption of goods improved more than services due to ongoing COVID-19 restrictions, which have affected the services sector more. Although the US economy bounced back strongly in the third quarter, GDP is still 3.5% below its pre-pandemic level.

The US election was in full swing in October and many investors were cautious in calling the outcome of this presidential race, after several surprises in previous years. At the time of writing, former Vice President Joe Biden had a material lead in national polls – one that has been relatively stable. Yet President Donald Trump was running close in certain key states, which kept open a narrow path to re-election. There was also a chance of a contested election, partly due to the record numbers of Americans voting early amid the pandemic. Financial markets were pricing in a view that Joe Biden may win the election, which could lead to higher taxes and larger fiscal-aid packages – likely boosting near-term GDP. Nonetheless, uncertainty remained high through October and markets proved jittery towards month-end.

European equity markets recorded broadly negative performance over the month. The German DAX Index declined nearly 10%, while the French CAC40 Index and UK FTSE 100 Index declined 4.4% and 4.8%, respectively. New COVID-19 cases surged across Europe. For the first time since March, Europe far outnumbered other major regions when measured by average new COVID-19 cases over a seven-day period, and new case numbers overall were significantly greater than they were earlier in the year. France, Spain, Germany, Austria, Portugal, Ireland and the UK all imposed strict new national lockdown measures in response to this most recent wave of the coronavirus. Low mortality rates are often cited as the silver lining in these second-wave developments. However, despite significant improvements in treatment and more effective protections for the most vulnerable, the average new deaths per seven days in Europe has increased again, with daily new deaths at almost half their Spring peak.

Investors pared back their forecasts for several economic indicators such as purchasing managers' indexes (PMIs) – with the services PMI expected to fall deeper into contraction territory. Faster-moving indicators also started to point to weaker activity in the Euro area. For example, electricity demand and restaurant bookings fell towards month-end. Germany's activity level (as measured by the Bundesbank's Weekly Activity Index) also started to decline in October, while business confidence (as per Germany's IFO business expectations index) fell more than expected. The European Central Bank (ECB) maintained its easing bias and signaled that it is prepared to supply more monetary stimulus later in the year as risks are "clearly tilted to the downside". ECB President Christine Lagarde emphasized that all instruments are back on the table to "recalibrate" at the ECB meeting in December.

Asian equity markets recorded flat to somewhat positive performance over the month. Asia appears to be further along in the pandemic cycle and economic activity is back at levels seen before the crisis – especially in China. The recovery has been strongest in export-oriented Asian economies. China is one of the few countries globally that is expected to record positive GDP growth in 2020 (largely led by strong export growth), according to IMF forecasts. Industrial production and exports have also rebounded strongly in South Korea and Taiwan. However, the picture is less optimistic in some Asian countries. For example, economic activity in India remained well below its pre-pandemic levels. This was also reflected in a large downgrade in India's 2020 GDP growth by the IMF.

Strategy Commentary

The international stock selection strategy was flat for the month. Positive performance from Quality and Sentiment insight groups were offset by Momentum, Cross Border Thematics and Relative Valuation insights. In a similar vein, good performance in Europe and small positive in Asia, was offset by poor performance in the US. Financials (overweights in banks and insurers) and Information Technology (overweights in IT services) in the US were the main source of underperformance, with gains from US Industrials. The strategy also did well through overweights in Communication Services across all regions, with overweights in European and US Consumer Staples adding, as did Health care and Information Technology in Europe.

Positive contributors to performance included overweight positions in Skechers and Colgate-Palmolive.

Skechers – The US lifestyle and footwear company posted better than expected Q3 earnings, with a strong bounce back after a tough Q2, driven by improved sales across several regions. The overweight position was a result of favourable Momentum, Quality and Valuation insights.

Colgate-Palmolive – The household name reported double-digit increased in operating profit, net income and earnings per share, beating expectations with management increasingly confident, to the point of providing annual guidance. The overweight position was driven by favourable Sentiment, and Valuation insights.

Detractors from performance included overweight positions in Mastercard and East Japan Railway.

Mastercard – Global payments firm Mastercard reported declining revenue over Q3 as the impact of the pandemic lingered, especially with lower cross-border (international travel related) volumes. The overweight position was driven by positive Quality, Cross-Border Thematics and Sentiment insights.

East Japan Railway – The railway operator has continued to face headwinds after posting its first operating and net losses since 1987, with revenues for the last 6 months -48.2% lower. The modest overweight position was a result of positive Sentiment and Valuation insights.

Top Active Holdings

Overweight	Underweight
ANALOG DEVICES INC	APPLE INC
HOME DEPOT INC	VERIZON COMMUNICATIONS INC
LOREAL SA	ROCHE HOLDING PAR AG
SKECHERS USA INC CLASS A	WALMART INC
WELLS FARGO	BANK OF AMERICA CORP

Top Holdings

Holding	Weight %
MICROSOFT CORP	4.00
APPLE INC	3.81
AMAZON COM INC	3.00
FACEBOOK CLASS A INC	1.77
VISA INC CLASS A	1.50
HOME DEPOT INC	1.47
MASTERCARD INC CLASS A	1.36
ALPHABET INC CLASS A	1.30
JOHNSON & JOHNSON	1.13
CISCO SYSTEMS INC	1.13

Country Exposure

Country	Weight %
Austria	0.00
Belgium	0.47
Canada	2.68
Denmark	0.57
Finland	0.20
France	4.55
Germany	3.03
Greece	0.00
Hong Kong	0.75
Ireland	0.22
Israel	0.06
Italy	0.36
Japan	7.55
Netherlands	0.95
New Zealand	0.00
Norway	0.57
Portugal	0.14
Singapore	0.10
Spain	0.91
Sweden	0.69
Switzerland	2.84
United Kingdom	3.41
US	69.95

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	119 mil
Buy/Sell Spread	0.17%/0.17%
Number of Stocks in Fund	551
Number of Stocks in Benchmark	1541
Tracking Error (3 Years p.a.)	1.75%

BlackRock Scientific Hedged International Alpha Tilts Fund	
APIR	BGL0046AU
Buy/Sell Spread	0.18%/0.18%
Fund Size	233 mil

BlackRock Advantage International Equity Fund	
APIR Code	BAR0817AU
Buy/Sell Spread	0.17%/0.17%
Fund Size	627 mil
Management Fee	0.50% p.a.

BlackRock Advantage Hedged International Equity Fund	
APIR Code	BGL0109AU
Fund Size	318 mil
Buy/Sell Spread	0.18%/0.18%
Management Fee	0.53% p.a.

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