

BLACKROCK ADVANTAGE INTERNATIONAL EQUITY FUND

BLACKROCK®

FUND UPDATE

28 February 2023

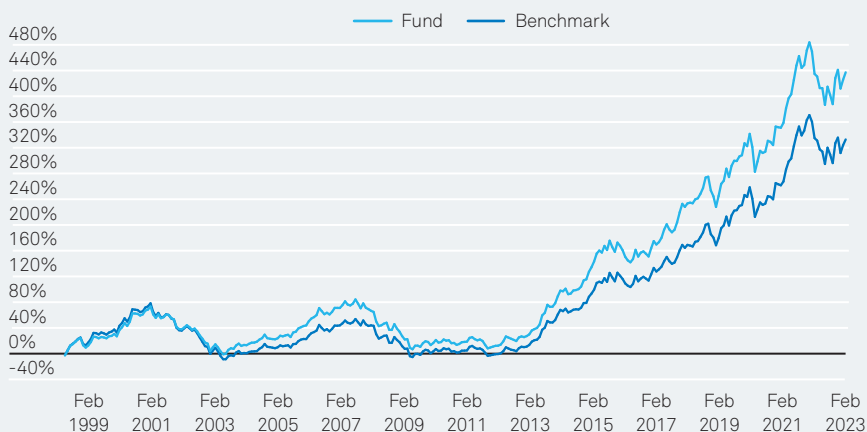
Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Advantage International Equity Fund ¹ (Net of Fees)	2.14	-0.84	4.83	-0.03	7.91	9.27	6.06
MSCI World ex Australia Index (unhedged in AUD)	2.09	-0.65	5.12	-0.48	8.27	10.06	6.00
Outperformance (Net of Fees)	0.05	-0.18	-0.29	0.45	-0.36	-0.79	0.06
BlackRock Advantage Hedged International Equity Fund ² (Net of Fees)	-1.60	-1.13	4.20	-6.82	8.25	5.66	9.23
MSCI World ex Australia Index (hedged in AUD)	-1.63	-0.93	4.50	-7.25	8.75	6.57	9.71
Outperformance (Net of Fees)	0.03	-0.20	-0.30	0.43	-0.50	-0.91	-0.47

¹ Fund inception: 31/12/1997. ² 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 28 February 2023



Performance Summary

Market Commentary

The MSCI World Ex Australia Index gained 2.09% in unhedged AUD terms and -1.63% in fully hedged to AUD terms in February 2023.

Following a strong start to the year, financial markets experienced more volatility in February as strong economic data drove a repricing higher in interest rates. Global equities, as measured by the MSCI World Index (hedged), declined by 1.6% over the month, while the unhedged index finished February up 2.1% as currency moves offset the decline in international share prices. Fixed Income markets, as represented by the Bloomberg Barclays Global Aggregate Index (hedged), recorded losses and closed the month down 1.8%.

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- Market Insights & Commentary
- Fund Performance
- Unit Prices

In the US, the S&P 500 Index fell by 2.4% in February (in local currency terms), with Energy and Utilities sectors among the worst performers. Strong inflation prints again took centre stage over the month, as both headline and core inflation for January came in above expectations. In addition, the unemployment rate declined to a multi-decade low of 3.4% while US retail sales climbed to a two-year high. Signs that inflation is proving persistent and inconsistent with hopes for a quick return to the US Federal Reserve's (Fed) target, along with stronger-than-expected economic data, saw the notion of any potential rate cuts in 2023 fade. The corporate reporting season for Q4 also showed evidence of weaker fundamentals, with less companies beating earnings forecasts and a smaller proportion of firms raising earnings guidance compared to the previous season.

European equities, as represented through the Euro Stoxx 50 Index, increased by 1.9% in February (in local currency terms). European assets have outperformed most major markets in recent months, despite core inflation increasing to 5.3% in January. Business activity continued to improve across the Eurozone with improvements in flash Purchasing Managers' Index (PMI) readings. Over the month, the European Central Bank (ECB) hiked interest rates by 50 basis points to bring its policy rate to 2.50% and the Bundesbank President, Joachim Nagel, suggested the ECB may need to further tighten policy past its upcoming March meeting. Meanwhile, European corporate earnings disappointed with only four sectors recording positive earnings growth year-on-year.

In the UK, the FTSE 100 Index rose by 1.8% over February (in local currency terms). While UK inflation remains elevated, it dipped for the third month in a row to 10.1% in January which was below economist forecasts. Over the period, Prime Minister, Rishi Sunak struck a landmark deal with the European Union on post-Brexit trade rules for Northern Ireland to help resolve trade barriers and ease diplomatic tensions. Earlier in the month, the Bank of England (BOE) hiked rates by 50 basis points as expected but pushed back against future rate hikes.

Asian equity markets were mixed over the period. China's CSI 300 Index fell by 2.1% in February (in local currency terms), following a strong rally in prior months that was underpinned by the easing of COVID restrictions late last year. Over the month, the People's Bank of China (PBOC) implemented measures to slow the pace of bank lending. New bank loans reached a record high in January, driven by state-backed infrastructure projects, with banks under pressure to boost domestic consumption. China's manufacturing activity also expanded at the fastest pace in more than a decade in February, showing its economic restart is gathering pace.

Japanese equities, as represented by the Nikkei 225 Index, rose by 0.5% in February (in local currency terms). Nationwide core inflation rose to a three-decade high of 4.2% in January, driven by higher import prices amid the weak Japanese yen. With employee earnings rising 3.5% in December, wages in Japan are now growing at the strongest pace in almost three decades. However, Kazuo Ueda, the nominee to become the new Bank of Japan (BoJ) governor, suggested that more could be needed before a major policy shift.

Top Active Holdings

Overweight	Underweight
MERCEDES-BENZ GROUP N AG	JPMORGAN CHASE & CO
ANALOG DEVICES INC	NVIDIA CORP
CHEVRON CORP	NESTLE SA
AGILENT TECHNOLOGIES INC	TESLA INC
S&P GLOBAL INC	MERCK & CO INC

Top Holdings

Holding	Weight %
APPLE INC	4.20
MICROSOFT CORP	3.86
AMAZON COM INC	2.14
CHEVRON CORP	1.59
VISA INC CLASS A	1.52
ALPHABET INC CLASS A	1.47
COSTCO WHOLESALE CORP	1.40
ALPHABET INC CLASS C	1.40
NOVO NORDISK CLASS B	1.29
PROCTER & GAMBLE	1.29

Country Exposure

Country	Weight %
Austria	0.44
Belgium	0.47
Canada	2.91
Denmark	2.12
Finland	0.11
France	4.11
Germany	3.74
Greece	0.00
Hong Kong	0.83
Ireland	0.10
Israel	0.09
Italy	1.15
Japan	5.07
Netherlands	1.47
New Zealand	0.00
Norway	0.18
Portugal	0.00
Singapore	0.05
Spain	2.47
Sweden	0.15
Switzerland	0.68
United Kingdom	2.24
US	71.62

Strategy Commentary

The portfolio generated a small outperformance to the benchmark, primarily attributable to positive Sentiment signals.

In contrast to the previous month, Quality signals that measure firms' capital financing were among the weakest performing signals during the period. Along the ESG dimension, results were mixed with signals tracking carbon commitments showing negative performance and human capital corporate culture measures contributing positively. Within the Value complex, signals observing balance sheet ratios performed well while measures of fundamental value focused on short term mean reversion detracted.

Within Sentiment, several measures of forward-looking momentum recovered January losses. These included insights designed to track the sentiment of analysts and company management. Additionally, a signal evaluating product ranking among online retailers was among the top contributors. However, a signal tracking mobile app usage detracted from performance.

Macro Tactical signals had positioned the portfolio for a continuation of the softer inflation/macro landing which had played out over the turn of the year. However, February saw positioning from these insights generally run against the grain of a re-emerging inflationary impulse. Notably, poor performance from normally inflation defensive US Healthcare stocks provided a further data-point suggesting some level of disconnect between equity and fixed income markets. Additionally, an overweight position in Canadian Energy stocks represented a pro-inflation stance which, more intuitively, failed to protect the portfolio.

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 Advantage International Equity Fund	
APIR Code	BAR0817AU
Buy/Sell Spread	0.17%/0.17%
Fund Size	265 mil
Number of Stocks in Fund	439
Number of Stocks in Benchmark	1456
Tracking Error (3 Years p.a.)	1.49%
Management Fee	0.50% p.a.

BlackRock Advantage Hedged International Equity Fund	
APIR Code	BGL0109AU
Fund Size	87 mil
Buy/Sell Spread	0.18%/0.18%
Management Fee	0.53% p.a.

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