

BLACKROCK ADVANTAGE INTERNATIONAL EQUITY FUND

BLACKROCK®

FUND UPDATE

31 March 2023

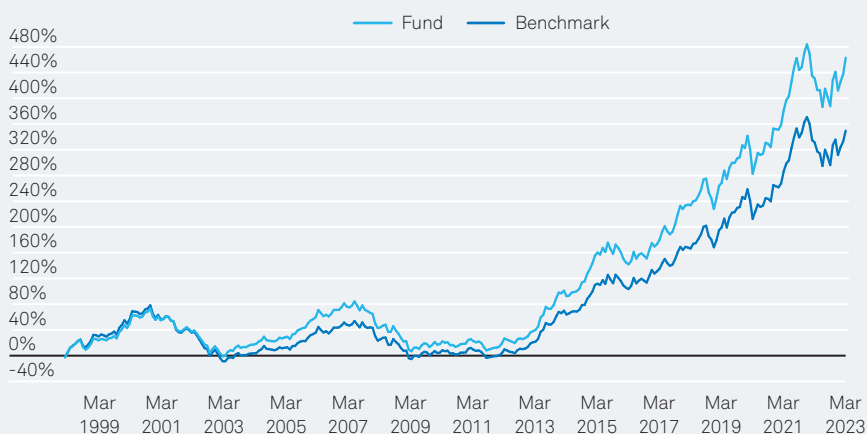
Investment Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Incep
BlackRock Advantage International Equity Fund ¹ (Net of Fees)	4.75	9.81	9.81	5.56	13.16	10.37	6.23
MSCI World ex Australia Index (unhedged in AUD)	3.88	9.20	9.20	4.31	12.88	11.02	6.13
Outperformance (Net of Fees)	0.87	0.61	0.61	1.25	0.28	-0.66	0.10
BlackRock Advantage Hedged International Equity Fund ² (Net of Fees)	3.38	7.72	7.72	-6.46	15.25	6.81	9.37
MSCI World ex Australia Index (hedged in AUD)	2.52	7.14	7.14	-7.57	15.07	7.59	9.80
Outperformance (Net of Fees)	0.85	0.58	0.58	1.11	0.18	-0.78	-0.43

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 31 March 2023



Performance Summary

Market Commentary

The MSCI World Ex Australia Index gained 9.20% in unhedged AUD terms and 7.14% in fully hedged to AUD terms in Q1 2023.

Major asset classes performed strongly over the first quarter of 2023, despite significant turmoil within the financial sector. Global equities, as measured by the MSCI World Ex Australia Index, increased by 9.2% over Q1 in Australian dollar terms. Developed Markets outperformed their Emerging Market counterparts, with fears of broader contagion across the banking system easing late in March. However, investors remain alert for signs of any further financial cracks and economic damage following the collapse of Silicon Valley Bank and forced acquisition of Credit Suisse by UBS. Fixed Income markets, as represented by the Bloomberg Barclays Global Aggregate Index (hedged) saw meaningful volatility but gained 2.4% over the quarter.

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- Market Insights & Commentary
- Fund Performance
- Unit Prices

In the US, the S&P 500 Index increased by 7.5% over the quarter and by 3.7% in March (in local currency terms). The Information Technology sector outperformed while Financials recorded losses as US regional banks sold off after the collapse of Silicon Valley Bank. Despite the recent banking stress, the US Federal Reserve (Fed) increased the Fed funds rate by 50 basis points over Q1 but introduced a new liquidity backstop to help banks meet depositor withdrawals. Fed Chair, Jerome Powell, also cautioned that the Fed was not contemplating any rate cuts later this year, contrary to market expectations for a policy pivot following the latest banking tumult. Meanwhile, core inflation rose less than forecast at 4.6% year-on-year in February, while key housing market indicators have also shown signs of slowdown.

European equity markets, as represented through the Euro Stoxx 50 Index, increased by 14.2% in the first quarter and by 2.0% in March (in local currency terms). The takeover of Credit Suisse by UBS took the spotlight, with Swiss regulators swiftly facilitating the acquisition given sustained capital flight by the bank's depositors. Meanwhile, the European Central Bank's (ECB) hiked twice by 50 basis points over Q1. Following the March rate decision, ECB President, Christine Lagarde, struck a hawkish tone by re-stating the priority of reining in inflation – having seen core Eurozone inflation reach an all-time high of 5.7% over February.

In the UK, the FTSE 100 Index gained by 3.6% over the quarter but lost 2.5% in March (in local currency terms). The Bank of England pushed up its policy rate to 4.25%, having hiked rates twice over the period. UK inflation remains stubbornly high, with February CPI data increasing unexpectedly to 10.4% on the back of rising food prices and energy bills. Britain experienced widespread worker strikes over Q1, with unions across a range of industries protesting pay and working conditions, amidst a tight UK labour market.

Asian equities recorded positive returns in Q1. China's CSI 300 Index rose by 4.7% over the quarter but declined by 0.5% in March (in local currency terms), with gains earlier in the quarter underpinned by the country's economic reopening. In March, the country set its new GDP growth target of "around 5%" for 2023, representing its lowest for more than three decades and below last year's goal of 5.5%. China's domestic restart continues apace with February data showing strong activity and credit growth, while official non-manufacturing PMI hit a 12-year high late in the quarter.

Japanese equities, as represented by the Nikkei 225 Index, gained 8.5% over the quarter and rose by 3.1% in March (in local currency terms). Persistent domestic inflation has added pressure to the Bank of Japan (BoJ) to adjust its ultra-loose monetary policy which appears increasingly at odds with the hawkish stance in other developed economies. Japan's core-core CPI that strips out energy and food prices rose 3.5% over February – the fastest pace in more than four decades – while retail sales rose 6.6% year-on-year in February ahead of market expectations. Earlier in Q1, Kazuo Ueda was confirmed as the nominee to become the new Bank of Japan (BoJ) governor in April.

Top Active Holdings

Overweight	Underweight
ADOBE INC	TESLA INC
CHEVRON CORP	EXXON MOBIL CORP
WALMART INC	NESTLE SA
S&P GLOBAL INC	MERCK & CO INC
BRISTOL MYERS SQUIBB	BROADCOM INC

Top Holdings

Holding	Weight %
MICROSOFT CORP	4.64
APPLE INC	4.55
AMAZON COM INC	2.24
PROCTER & GAMBLE	1.61
CHEVRON CORP	1.58
ALPHABET INC CLASS A	1.57
NVIDIA CORP	1.57
WALMART INC	1.42
ADOBE INC	1.38
COSTCO WHOLESALE CORP	1.37

Country Exposure

Country	Weight %
Austria	0.44
Belgium	0.50
Canada	4.00
Denmark	1.24
Finland	0.00
France	3.50
Germany	2.83
Greece	0.00
Hong Kong	0.80
Ireland	0.05
Israel	0.09
Italy	0.48
Japan	5.71
Netherlands	1.49
New Zealand	0.00
Norway	0.04
Portugal	0.03
Singapore	0.04
Spain	2.17
Sweden	0.36
Switzerland	1.52
United Kingdom	2.48
US	72.25

Strategy Commentary

Overall, the model ended the quarter in the positive territory after a negative start to the year. Macro Thematic and Sentiment insights regained traction through the quarter. On the other hand, Fundamental signals finished the quarter negative.

A sharp rotation in market leadership was observed over the opening weeks of 2023 and the portfolio retained exposure to several 2022 winning macro trades that detracted from performance such as an overweight in Energy, Healthcare and Staples. However, Macro insights regained traction over the remainder of the quarter with stubbornly hawkish central bank rhetoric and renewed turmoil in the banking sector re-igniting growth concerns. The stock selection across IT also ended up contributing to performance.

The Sentiment complex, along with the Macro Thematic insights, emerged as the dominant driver of performance following the challenging start of the year. Proprietary measures of momentum detracted but suffered a shallower drawdown than traditional insights. For the remainder of the quarter, a strong recovery in performance from bottom-up measures such as broker, management and hedge fund sentiment added to performance as investors refocused on forward looking measures of sentiment.

Within the Fundamental signal complex, Value signals were the worst performers mainly due to their positioning in Financials. Quality signals also struggled during the quarter. Specifically, contrarian quality strategies tracking levels of equity dilution were among the main detractors.

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	273 mil
Number of Stocks in Fund	434
Number of Stocks in Benchmark	1454
Tracking Error (3 Years p.a.)	1.50%
Management Fee	0.50% p.a.

BlackRock Advantage Hedged International Equity Fund	
APIR Code	BGL0109AU
Fund Size	90 mil
Buy/Sell Spread	0.18%/0.18%
Management Fee	0.53% p.a.

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